सत्यमेव जयते

Accelerated Growth with Inclusion and Equity

An Action Plan for Short, Medium and Long run

February 2016

Group VI,
Group of Secretaries,
Government of India

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Chapter 1: Introduction

1.0 The Cabinet Secretariat, on 1st January 2016, constituted eight Groups of Secretaries on different themes. These Groups were expected to indicate an action plan on the chosen themes which could be taken up for implementation in the short, medium and long term.

1.1 The theme for Group VI was **'Accelerated Growth with Inclusion and Equity'.** Secretary, Department of Industrial Policy and Promotion (DIPP) was the Rapporteur of the Group. The Group had 10 other Secretaries to the Government of India as members. The members of Group VI are indicated at **Annexure 1.**

1.2 The Cabinet Secretariat also set up two Groups of Joint Secretaries to assist the Group of Secretaries. Shri B.S. Bhullar, Joint Secretary, Ministry of Civil Aviation and Shri Mukesh Jain, Joint Secretary, Department of Disability Affairs were the Rapporteurs of the two Group of Joint Secretaries assisting Group VI. The members of the Groups of Joint Secretaries are indicated at **Annexure 2.**

1.3 The Group met on a number of occasions to discuss and chalk out the action plan on the given theme. The Joint Secretaries also made presentations to the Group. The inputs provided by the Joint Secretaries formed part of the presentation.

1.4 The Group deliberated extensively on the theme. It was of the view that the theme was very wide and encompassed the entire development and planning process in the country. The Group was also conscious of the fact that other Groups dealt with specific themes which were central to not only growth in different sectors but also to inclusion and equity.

1.5 The Group also deliberated on the connotation of terms 'inclusion' and 'equity'. It decided that 'inclusion' would reflect plan of action that needs to be undertaken for providing quality education, health facilities, skill development, employment opportunities and elimination of poverty. It was decided not to elaborate the themes which the other Groups are expected to touch upon. Similarly, 'equity' was understood in the context of regional inequalities, both Inter-state and Intra-state, with a special focus on development of East, North East, Left Wing Extremist affected districts and the districts identified under Backward Region Grant Fund (BRGF) and social equity. Some of the key concerns such as the inter-generational concept of equity as reflected in millennium development goals, sustainable development goals adopted by the United Nations in 2015, and environmental sustainability were also considered by the Group. Some of the key concerns have been reflected in the presentation. Work of other Groups on health and education, good governance, employment generation strategies, farmer centric initiatives would be particularly relevant in attaining accelerated growth with inclusion and equity.

1.6 The presentation of Group VI draws heavily on consultations with a number of industry associations such as CII, FICCI, ASSOCHAM, consulting organisations such as Mckinsey, PwC, KPMG, other experts, publications, articles and studies, projections of multilateral organisations, and also action plan and policies brought out by different departments of Government of India as well as State Governments. The 12th Plan document which has 'faster, more inclusive and sustainable growth' as its core theme was also drawn upon before finalising the Group presentation.

1.7 The Group was also assisted by the Office of the Economic Adviser, Department of Industrial Policy and Promotion, specifically by two young Indian Economic Service Officers, Ms. Kokila Jayaram and Ms. Shalini Gupta. They also provided very valuable research support.

1.8 Cabinet Secretary reviewed the presentation of the Group on 14th January 2016. He made a number of suggestions to delineate more sharply the core ideas in the presentation. The Cabinet Secretary indicated that the Group should primarily consider economic growth and highlight critical factors which the Group considers necessary for accelerated growth.

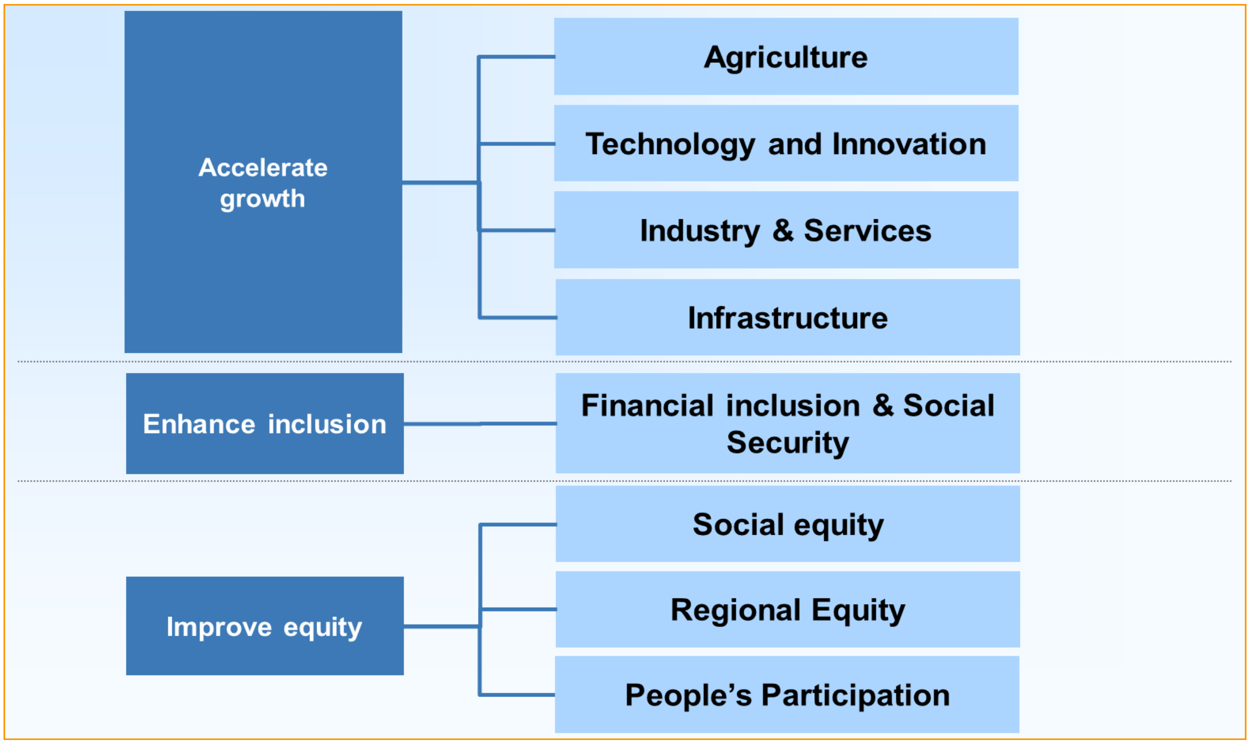
He had also indicated that few important specific suggestions for inclusion with equity could be included. The presentation was accordingly revised based on his feedback.

1.9 The Group considered two growth scenarios. The first scenario took Business as Usual with growth of around 7% per annum. The Group felt that the growth rate needed to be significantly stepped up to create new jobs and eliminate poverty. The Group has based its recommendations for achieving a growth rate of 10% per annum. Conditions which are an imperative for attaining this growth rate are highlighted in Chapter 2.

1.10 The Group was conscious of the fact that the State Governments would have to play a major role, if the country has to achieve a sustained growth rate of over 10% in the next 15 years. The Government has also taken steps to promote cooperative federalism. The 14th Finance Commission recommendations have provided 42% of the funds in the divisible pool to the States as compared to 32% recommended by the 13th Finance Commission. The Group therefore decided to take feedback from State Governments on the presentation. A Video Conference was held with Chief Secretary of the State Governments of Gujarat, Karnataka, Maharashtra, Tamil Nadu, and Uttar Pradesh on the 19th of January 2016. Chief Secretary of Assam could not attend the Video Conference. The Group also had the benefit of discussion with Panchayati Raj representatives of Gujarat, Karnataka and Uttar Pradesh. Some members of Urban Local Bodies from Karnataka and Maharashtra had also given their feedback to the Group. The summary of feedback received from the States is at **Annexure 3**.

1.11 The Group made their final presentation before the Hon'ble Prime Minister, other Ministers and officials on 22nd January, 2016. This was followed by a discussion, wherein a number of suggestions were given by the members present. These are indicated separately in **Annexure 4**. The final presentation that has been revised after taking into consideration the suggestions received during discussion on the 22nd January 2016 is placed at Annexure **5.** The Action Points indicated by the Group and suggestions of the Group of Joint Secretaries which did not find mention in the final presentation are indicated at **Annexure 6**.

1.12 The report follows the structure of the presentation which was made before the Prime Minister. This is reproduced below:

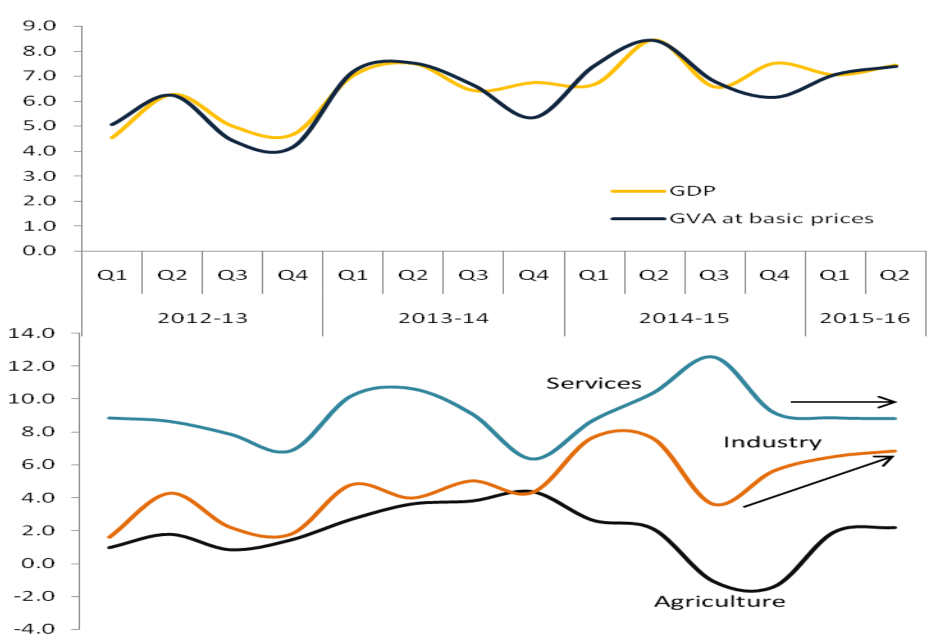


Chapter 2: Conditions Precedent for Growth

2.0 Economic growth, measured in terms of growth in GDP at constant prices (real GDP), has increased from 5.4% in 2012-13 to 7.2% in 2014-15 (RE). In 2015-16, there has been an improvement in the growth rate from 7.0% in Q1 to 7.3% in Q3. In addition to robust growth in first three quarters of 2015-16, India has witnessed macro-economic stability aided by favourable factors such as comforting inflation indicators, benign fiscal situation and improving external current account balance.

2.1 The sectoral growth rates of GVA at basic price (constant 2011-12 prices) for agriculture has risen from 1.5% in 2012-13 to 4.2% in 2013-14. Owing to the sub-par monsoon in last two consecutive years the growth in the sector contracted in 2014-15 (-0.2%), but has however picked up slightly in 2015-16 to 1.1% (AE).

Graph 2.1: Quarterly Growth Rates of GDP, Overall and Sector-wise (in %)



Source: Central Statistical Office, MoSPI, Government of India.
Note: The growth rate (in %) for GDP is at market price and the growth rates for sectors are calculated using GVA in the sector at basic price.

2.2 Industrial growth has improved from 3.6% in 2012-13 to 5.9% in 2014-15 and is estimated at 7.3% for 2015-16 (AE). Manufacturing witnessed its highest growth in the last 13 quarters at 12.6% in Q3 2015-16 and is projected to grow at 9.5% this fiscal. Manufacturing has been driving the overall industrial growth recently; it grew over 7% in 6 of the last 8 quarters. Growth in services is projected to rise from 8.1% in 2012-13 to 9.2% in 2015-16; the growth in 2014-15 was around 10.3%.

2.3 Moving from H2 2014-15 to H1 2015-16, the contribution of manufacturing sector to overall growth has increased from 16.8% to 21%, while the contribution of services declined from 81% to 66.8%, owing primarily to the decline in the contribution of public administration, defence and other services.

2.4 Growth in private final consumption expenditure continues to be the major driver which is projected to grow at around 7.2% this year as compared to 6.2% in 2014-15. The growth in gross fixed capital formation (investment) has been showing visible signs of improvement since past four quarters. Investment as a percentage of GDP during 2015-16 is estimated to be around 31.6%; around 3 percentage points lower than the rates recorded during 2011-12.

2.5 The Mid Year Economic Review and Reserve Bank of India project an overall growth of around 7-7.5% for 2015-16. As per the latest advance estimates, the projections for GDP growth is around 7.6%, despite a seeming loss of momentum in Q3 of 2015-16, pulled down by slackening agricultural and services growth. The forecasts from various international agencies indicate towards India growing at around 7.5% this fiscal (Table 2.1)

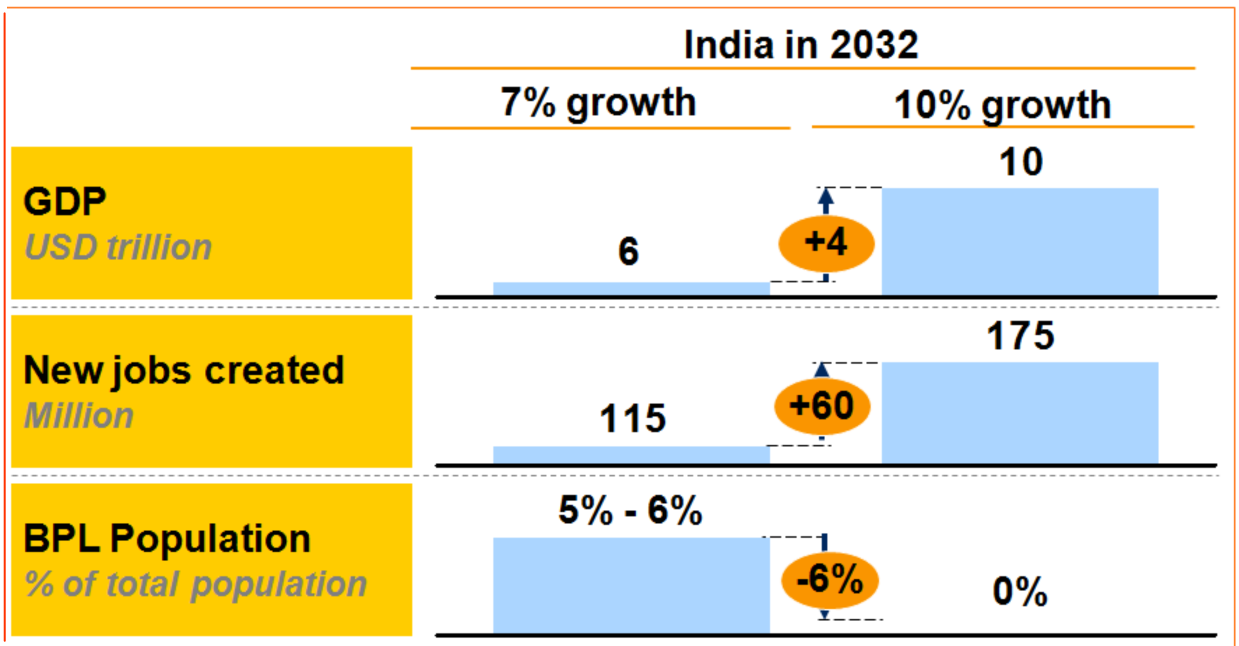
Table 2.1: GDP Projections for India (2015-16)

International Monetary Fund (IMF)	7.3%
World Bank	7.5%
Asian Development Bank (ADB)	7.4%
Organisation for Economic Co-operation and Development (OECD)	7.2%
Standard & Poor (S&P)	7.4%
Japanese Brokerage firm Nomura	7.3%

2.6 Scenario-based Assessment

Assessment shows that under a Business as Usual (BaU) scenario of around 7% overall growth, the Indian economy is expected to triple to reach USD 6 trillion and create around 115 million new jobs by 2032. Under this BaU scenario, approximately 5-6% of our total population would still remain below the poverty line.

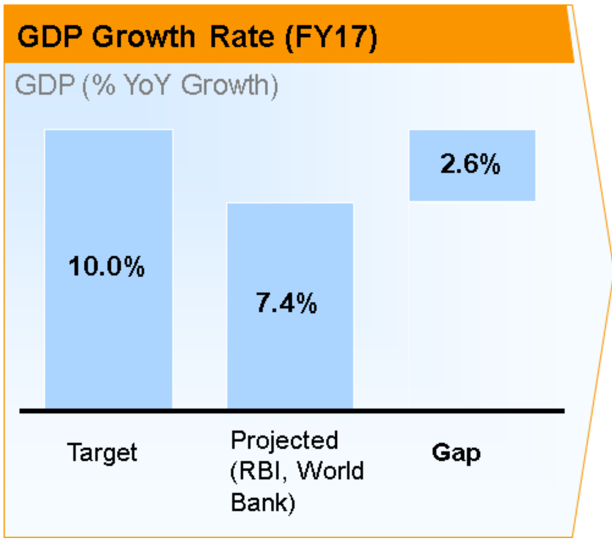
Graph 2.2: Impact of BaU *vs* Alternate Growth Scenario



2.6.1 In an alternate scenario of 10% annual overall growth, the economy is anticipated to create an additional USD 4 trillion taking the overall GDP to USD 10 trillion by 2032. This scenario can help the economy generate an additional 60 million jobs over the BaU scenario and has the potential to completely draw the entire population out of poverty. **Achieving this, however, would be possible only when the GDP growth gap of 2.6% between alternate scenario and current growth is closed within the next 5 years and sustained beyond.**

2.6.2 The required sectoral growths to achieve an overall 10% growth are **at least 4% growth from agriculture & allied sectors and 10-12% from manufacturing and**

services, which is difficult to achieve without the creation of enabling infrastructure and advancements in technology & innovation.



Focus areas for accelerated growth

Additional GDP growth of 2.6% YoY in the next 5 years to be achieved through

- **Agricultural growth** at 4%
- **Manufacturing and Services** at 10-12%
- World-class **infrastructure**
- Advancements in **technology & innovation**

2.7 Challenges Arising from Global Economic Scenario

Global growth along with global trade continues to be subdued in 2015-16, with the ongoing weakening of activity in major emerging market economies (EMEs) outweighing the recovery in some advanced economies. The United States and Euro area has shown signs of recovery recently, while the growth in Q4 of calendar year 2015 was the slowest since 2009 in China and the domestic demand is yet to pick up in Japan. The commodity exporters in EMEs confront recessionary conditions, falling currencies, sluggish exports and a high inflation relative to their recent histories. The slow growth in China, coupled with depreciation of the Renminbi and capital outflows from China has also heightened global volatility. Financial markets remain vulnerable to bouts of volatility and capital outflows from EMEs. Bearish commodity price dynamics are also likely to impact investor sentiment.

2.7.1 The international environment presents serious difficulties for exports from India which in turn has consequences for large scale manufacturing in the country, a major priority of the Government. Growth prospects would therefore depend significantly on domestic investment and consumption while at the same time competing in the international markets. **Stable political environment, judicial reforms and strong macro-economic fundamentals in terms of lower fiscal deficits and inflation would have an important bearing on achieving the desired growth rate.**

2.8 Conditions Precedent for Growth

10 major States to grow at over 12+%

The Indian economy in the last three years had grown at an average rate of 7.25-7.5%. For a 10% sustained overall growth rate, **it would be imperative for 10 major States to grow at over 12%.** In the last 5 years many States have been able to grow at over 10%, however, these growth rates have been sporadic in nature and were not sustained over the 5 year period.

2.8.1 Growth in the economy comes largely from two sources, the growth in investment in land, labour, capital, material and services and the growth on account of improvement of Total Factor Productivity (TFP) which flows from quality of human resources, business environment (institutions, policy environment, openness of the economy), competition in the economy, financial development, infrastructure etc.

2.8.2 The experience of other comparable economies shows a high contribution of TFP to GDP growth; 79% of the Chinese GDP growth during 1992-2010 is estimated to be due to TFP. Its contribution to Indian GDP growth for the same period is less than half, at around 35%. The contribution of TFP to output of registered manufacturing in India during 1992-2005 is estimated to be even lower, at around 10%[1]. The performance of States in this regard has been mixed. Based on 2011-12 data, Uttar Pradesh, Himachal Pradesh, Rajasthan and Goa had high total factor productivity growth while the performance of our major industrialised States such as Maharashtra, Gujarat, Karnataka and Tamil Nadu was only average; while that of West Bengal and Chhattisgarh was very poor.

2.8.3 Reform of the Factor Market

The policies that govern land, labour and capital exhibit many rigidities in the country. Acquisition of land for industry and infrastructure has been a major constraint.

[1] Study on Annual Productivity Index by Institute of Economic Growth, commissioned by Office of Economic Adviser, Department of Industrial Policy and Promotion, Government of India

Labour laws are widely acknowledged to have only protected interests of the organised labour. The rigidities in the labour laws have impacted growth of registered manufacturing in sectors that exhibits seasonal demand patterns. Financial sector reforms have been under discussions for a long time. Reform of the factor markets making them more efficient is imperative for high economic growth.

2.8.4 Land

Land has emerged as a major constraint for industry and infrastructure projects in India. Many States have taken up innovative measures for land pooling to acquire land for industry as well as infrastructure projects. The land acquisition procedure followed by Government of Andhra Pradesh for its new capital Amaravati and the process adopted by Government of Uttar Pradesh for acquiring land for widening the Agra - Lucknow national highway are examples which can be replicated in other States. It is suggested that a **committee under Vice Chairman, NITI Aayog may be set up to frame model land lease laws which facilitate acquisition of land for industry and infrastructure while simultaneously protecting interest of the farmers.** The model law may then be circulated to the States for adoption.

Committee under Vice Chairman, NITI Aayog may be set up to frame model land lease laws

2.8.5 Labour

Labour laws in the country have been acknowledged as one of the major constraints in improving ease of doing business, closure of units as well as for adoption of labour intensive technologies. Many State Governments have, however, been able to amend their labour laws which provide flexibility in hiring of contract labour for industries, particularly industries with seasonal demand patterns. **The Group is of the view that on issues such as land and labour which are basically in the domain of the State Governments, the Centre may frame model laws based on best practices in different States and circulate them to the States for adoption.**

2.8.6 Financial Sector

The Government of India has a taken a number of steps to reform the Indian financial sector to make it internationally competitive. Many Committees have been set up which have given recommendations on reforming the Indian financial architecture. The first report of the 'Standing Council on International Competitiveness of the Indian Financial Sector' has been put out in public domain by the Department of Economic Affairs in September, 2015 for comments. The report has given recommendations for short term, medium term and long term goals for derivatives market of currency, equity and commodity. The thrust of these recommendations is to bring regulation of various components of Indian financial sector in line with international practices, more specifically the financial markets of Singapore, Dubai and China which have emerged as major centres competing for Indian financial products. **It is suggested that a view on these recommendations may be taken urgently and action plan be indicated in the upcoming Budget 2016-17.**

2.8.7 Infrastructure

Logistic bottlenecks have been highlighted by the industry as one of the major constraints to growth in the country. These relates not only to roads but railways, port capacity, civil aviation and power too. The Group was of the view that there is a need to create teams in Ministries dealing with infrastructure to structure major projects, de-risk them to bid them out in 2016-17 and 2017-18. Action required to improve infrastructure sectors has been discussed in Chapter 9.

2.8.8 Regulatory Oversight

During discussion on Group VI's presentation before the Hon'ble Prime Minister the issue of regulatory overburden was also raised. Regulation of different sector is currently fragmented, scattered among various authorities, with considerable overlap. This is an important issue that needs to be studied in greater detail and regulatory regime streamlined to remove the overlap and lessen the regulatory burden on the industry.

2.8.9 Disruptive Power of Technology

The economic growth in the country can increase up to 10% and be sustained over a long period only if the productivity improvements take place in the country. For increasing productivity, a complete re-orientation of the current approval and regulatory processes, utilising power of technology, including information technology, needs to be attempted in the medium term. A number of initiatives are currently underway to create the Digital India platform. Though India is considered one of the major IT powers, internet penetration in the country is only 19% at present as compared to 46% in China, 53% in Brazil, 87% USA and 90% in Australia. The World Bank report released in 2009, estimated that a 10 percentage point increase in broadband penetration increased GDP of developing economies by 1.3%. The digital network has the potential to transform governance processes and increase citizen participation in growth process by improving accountability and reducing corruption. **The transformative potential of digital platform needs to be harnessed further in the medium term (2-3 years) to transform all aspects of economic life including provision of infrastructure facilities, basic services etc. to kick start a growth process which is also inclusive.**

60% digital penetration by 2019

Chapter 3: Agriculture

3.0 Agriculture continues to be a crucial growth driver despite a sustained decline in its share in GDP which currently hovers at around 13%. Agriculture continues to employ around 48.5% of the work force in the country. Projections show that for a sustained 10% overall growth, the annual growth in agriculture needs to be at least 4%. The growth rate of agriculture which touched 3.2% during 11th Plan period has been rather uneven in the 12th Plan as indicated in the table below:

Table 3.1: Growth Rate in Gross Value Added (GVA) in Agriculture

Agriculture GVA (at Basic Prices), Growth Rate	**2012-13**	**2013-14**	**2014-15**	**2015-16 (H1)**
	-2.0	3.7	0.2	2.4

3.1 The Group considered a large number of issues under agriculture but decided to concentrate on few key ones. These may be complemented by the detailed recommendations made by Group III on Farmer Centric Initiatives in Agriculture and Allied Sectors.

3.2 Weather Proofing Agriculture

Indian agriculture continues to be monsoon-dependent as more than 68% of the cultivated area is still rain-fed. The inter-state variations of net irrigated areas as a percentage of net sown area are very large; Punjab has 99% of net sown area under irrigation while Assam has only 5%. Increase in agriculture productivity depends on effective use of irrigation, fertilisers and other inputs, of which irrigation plays a more crucial role. The increased disruptions in monsoon on account of climate change have made the conjunctive use of surface and ground water a priority to weather-proof Indian agriculture.

3.2.1 Solar Pumps in East and North East

The MNRE has a scheme for promoting solar pumps in the country. The target for the year 2015-16 is only 30,000 solar pumps across the country. To promote weather proofing in the East and North East and encourage agricultural production in these regions, **a ₹500 crore dedicated fund to support installation of solar pumps in the Eastern and North Eastern region may be announced in the Budget**. This would also be in line with Government's overall objective of making Eastern India and North East as the base for second green revolution, with Government's commitment to promote solar energy and provide 24X7 power to all households.

₹500 crore dedicated fund to support installation of solar pumps in the Eastern and North Eastern region

3.2.2 Micro Irrigation

There are a number of schemes for promoting irrigation. Pradhan Mantri Krishi Sinchai Yojana (PMKSY) provides support to farmers to create irrigation facilities. Drip and sprinkler irrigation under the PMKSY especially in the critical and over-exploited blocks is an important component of PMKSY. **Government support for drip and sprinkler irrigation in these blocks, which are largely in North Western India, may be at a higher rate than presently admissible.** In the dark and critical blocks, the support to small and marginal farmers may be provided at 80% of the capital cost as against 60% at present and 60% of the project cost for other farmers as against 50% at present.

3.3 Technological Interventions

3.3.1 Extension Services

Infusion of technology in agriculture operations is extremely important for increased productivity. The Group looked at various schemes for extension services. Krishi Vigyan Kendras (KVK) operates with support from Department of Agricultural Research and Education, Government of India, while Agricultural Technology Management Agency (ATMA) is supported by the

Convergence of extension services

Department of Agriculture. **There is a need for convergence of extension activities carried out by these agencies at the district and block level for effective delivery of extension services.**

3.3.2 Universal Digitised Soil Health Cards

Universal digitised Soil Health Cards by 2018

The Government has taken up a programme for testing soils and providing soil health card to farmers. This scheme needs to be deepened and farmers need to be provided digitised soil health cards. In addition, the laboratories testing the soil also need to indicate nutrients and micro-nutrients that should be applied by the farmers to restore soil heath.

3.3.3 Farm Mechanisation

Equipment leasing companies at block level bv 2019

Of the 102.8 million farmers in the country over 82 million farmers hold less than 2 hectares of land. To improve agricultural productivity, mechanisation of farm operations is necessary. However, it would be unviable for small and marginal farmers to own farm equipments. The Government may support private entrepreneurs for setting up ventures to own farm equipments and lease it to small and marginal farmers. **A venture capital fund to support agricultural equipment leasing companies at block level could be announced in the budget 2016-17 with an initial corpus of ₹500 crore.** The details could be worked out by the Ministry of Agriculture.

3.4 Policy Reforms

3.4.1 E-enabled National Market for Agriculture Produce

At present, Agricultural Produce Market Committee (APMC) Act governs marketing of agricultural produce. The Government of India had prepared a model Agricultural Produce Market Committee Bill 2003 and circulated it to State Governments for modification of their APMC Acts. The basic feature of the model APMC Act is to enable farmers to sell their produce directly to contract sponsors/buyers or markets set up by private individuals, consumers or producers. The progress on modified APMC Act has been slow. The Government has also approved a central scheme for promotion of national agriculture market through Agri-Tech Infrastructure Fund (ATIF) in July 2015. 585 selected regulated markets across the country would be supported to create a common electronic platform on which agricultural produce could be traded. ₹200 crore has been provided under this scheme. **The implementation of scheme needs to be expedited and all principal regulated markets (2477) in the country need to be put on e-platform.**

e-Enabled National Market for all principal regulated markets bv 2017

3.4.2 Procurement of pulses and oilseeds in National Food Security Mission (NFSM) Districts

The Government of India has identified 622 districts under NFSM for development of pulses. The Government recently announced an increase in minimum support price (MSP) of *chana*, *masur* and *rabi* oilseeds by ₹250 per quintal to persuade farmers to put higher acreage under these crops. **Procurement networks in these districts for pulses and oilseeds may be created** so that farmers are assured of minimum support prices for these crops. The rollout of Pradhan Mantri Fasal Bima Yojana (Prime Minister Crop Insurance Scheme) and coverage of at least 50% of the farmers within the next two years as directed by the Prime Minister would provide much needed protection to farmers who opt for pulses and oilseeds production as these crops are highly susceptible to weather related incidents.

3.4.3 FDI in cold chain/ Food processing

The FDI policy allows for 100% FDI in food processing including cold chains. However, investment, both domestic and foreign, is limited in cold chains and other back end infrastructure and processes as FDI in multi brand retail has not been permitted. FDI in multi brand retail has a large number of policy issues. As and when the multi brand retail is permitted, it is anticipated that FDI in food processing including cold chains will automatically pick up. Creation of this infrastructure would eliminate wastage of crops, particularly vegetables and horticulture crops, and improve farmers' incomes.

3.5 Rural Infrastructure

3.5.1 Rural Roads

Pradhan Mantri Gram Sadak Yojana (PMGSY) provides support to State Governments for linking villages with all-weather roads. The PMGSY presently covers villages with population of over 500 in plain areas and over 250 in tribal areas. Ministry of Rural Development projections indicate that 2.2 lakh kilometre road needs to be built to connect all habitations with all-weather roads. Roads are a key infrastructure in rural areas. **The Group felt that all habitations should be connected by all-weather roads by 2018.**

All habitations to be connected by all-weather roads by 2018

3.5.2 Bharat Net (National Optic Fibre Network)

Digital connectivity has been considered by the Group as one of the key enabling feature, the absence of which hinders citizen participation in economic growth. The Government has taken up National Optic Fibre Network Project, Bharat Net to provide on demand, affordable broadband connectivity of 2 Mbps to 20 Mbps for all households and on-demand capacity to all institutions**.** Bharat Net project has different media options, including fibre, microwave radio and satellite. Fresh optical fibre cable from districts to blocks and blocks to gram panchayat is a part of the project. The progress on Bharat Net is rather slow. The funding requirement for the project is ₹72,778 crore while the annual funding presently available for the programme is of the order of ₹4,000 crore only. **Completion of Bharat Net by 2018 may be ensured**.

Complete Bharat Net by 2018

3.5.3 In the Groups' discussion with Panchayati Raj representatives, Sarpanchs from Karnataka and Gujarat wanted flexibility in spending 14th Finance Commission grants to create Wi-Fi facilities in the villages. They also suggested that information related to local areas on weather, prices, agricultural practices, customised education modules for students of the area and information important to women in their social and economic pursuits could all be delivered to them through the digital platform, making Indian citizens truly 'Digital Nagariks'.

3.5.4 **Shyama Prasad Mukherjee Rurban Mission**

The Mission was approved by the Government on 16th September 2015 with an outlay of ₹5142 crore to develop rural clusters as growth centres. Each cluster would have a population of 25,000-50,000 in plain and coastal areas and 5,000-15,000 in desert, hilly or tribal areas. The target is to develop 300 clusters over a period of three years. To ensure an optimum level of development, fourteen components have been suggested as desirable for a cluster, which would include; Skill development training linked to economic activities, Agro Processing/Agri Services/Storage and Warehousing, Digital Literacy, Sanitation, Provision of piped water supply, Solid and liquid waste management, Village streets and drains, Street lights, Fully equipped mobile health unit, Upgrading schools/higher education facilities, Inter-village road connectivity, Citizen Service Centres - for electronic delivery of citizen services/e-gram connectivity, Public transport, LPG gas connections etc. The Mission needs to be implemented effectively.

Chapter 4: Technology and Innovation

4.0 The Government of India has made substantial investment in creating digital networks in the country. The initial public sector investment and efforts have been supplemented by the investments in digital networks by the private sector. Banks, post offices and many other service organisations have made significant progress on digitising their operations. The Core Banking Solutions (CBS) platform of banks and computerisation of post offices is a case in point. Bharat Net that is currently under implementation needs to be completed soon. Optical fibre in every gram panchayat would be needed for effective penetration of digital technology in the entire country.

4.1 JAM Platform

Pradhan Mantri Jan Dhan Yojana (PMJDY) was launched in August 2014, under which around 200 million bank accounts have been opened till January, 2016. The Yojana aims at universal access to banking facilities – at least one bank account in every household along with access to credit and insurance. The direct benefit transfer of subsidies and financial products such as access to insurance and life insurance has been linked to Jan Dhan accounts. Jan Dhan accounts, Aadhar identification and Mobile revolution, the JAM trinity, provide an opportunity to transfer all benefits and services to the individual beneficiaries through the 'JAM' Platform.

Reducing transactions cost from ₹1,500 to ₹10 by 2019 through JAM platform will ensure access to 100 million more Indians

4.1.1 The Groups feels that **all Government of India benefits and subsidy payments should be routed through JAM Platform by 2018**. **Similarly, payments under social assistance programme such as old age pension, widow pension, maternity benefits etc. should all be routed through the JAM platform only. The subsidies and benefits**

provided by the State Governments should also be routed through the JAM Platform. This would not only make payment of benefits and subsidies transparent but would also eliminate duplication of beneficiaries, plug leakages and other related malpractices.

4.2 Effective Public Service Delivery

The mobile revolution needs to be leveraged to deliver benefits and entitlements. E-Payment mobile applications could be developed. SMS-based alerts should be sent to all recipients. **The system of SMS based alert may be institutionalised immediately.**

SMS-based alerts to all beneficiaries by 2016

4.2.1 The digital platform is eminently suitable for encouraging public participation in delivery of public services. For this to happen, **live dashboards for all major Government programmes could be created**, where essential features and progress could be made available to public. All subsidies and benefits payments in the country have to have real-time online information for greater transparency.

4.2.2 The Public Financial Management System (PFMS) is being used for web-based online transfer of funds from Central Government to States and implementing agencies. The system is efficient as it tracks the movement of funds. The PFMS could be integrated with State treasuries to track all Government expenditure. This information could be put out on Expenditure Information Network (EIN) which would allow people to track Government expenditure and act as watch dogs of Government expenditure. **EIN should be made functional by 2018.**

Expenditure Information Network functional by 2018

Chapter 5: Startups

5.0 India has emerged as third largest base for Startups. Startups' have a major role to play in economic growth and creation of employment opportunities. Startup India programme was launched by the Prime Minister on 16th January, 2016. **Hon'ble Prime Minister and Finance Minister have already indicated a policy framework and an action plan** to encourage Startups, promote innovation and retention of intellectual property rights in the country. The plan includes rolling out a mobile app and portal, ease of doing business initiatives such as system of self-certification, tax holiday for three years, a ₹10,000 crore fund of funds, credit guarantee fund of ₹2,000 crore along with a number of other initiatives. These measures would go a long way in creating a conducive environment for Startups in the country.

5.1 **The Budget 2016-17 could include the following:**

i. Fund of funds with a corpus of ₹10,000 crore allocation. Budget provision of ₹2,500 crore for the year 2016-17
ii. Credit Guarantee Fund with a corpus of ₹2,000 crore. Budget allocation of ₹500 crore for 2016-17
iii. Tax exemption on capital goods from sale of capital assets, if proceeds are invested in Fund of funds recognised by the Government
iv. A Tax exemption for Startup for a block of three years in the first five years subject to non-distribution of dividend
v. Tax related issues:

- Creation of a patent box regime for promoting innovation by taxing income from IPR at a lower rate
- Non-application of Minimum Alternate Tax (MAT) on Startups;
- Treating capital gains tax on sale of securities of Startup on par with capital gains tax on sale of listed securities

- Taxing of capital gains on ESOP at the time of disposal of shares and not at the time of conversion (as perquisite)
- Exemption of investments made by angel investors in Startups from angle tax (taxing share premium under Section 56(2)(vii.b) of the Income Tax Act, 1961)
- Recovery of service tax from Startups on actual recovery of revenue (cash basis)
- Bringing in clarity in taxation of convertible instruments by amending section 2(42AA) of the Income tax Act, 1961

vi. FEMA related issues

- Currently FVCI are allowed to invest in 9 sectors only. Investment by FVCI should be allowed in all sectors up to limit allowed through automatic route
- Permitting external commercial borrowings up to USD 500 million under general permission with flexibility
- Allowing foreign sellers to have collection agents in India

500 new incubators and 100 Startup villages by 2017

5.2 The Group has recommended setting up **500 new incubators and 100 Startup villages across the country.** A Startup village has been set up in Kerala on PPP mode which is jointly promoted by State Techno Park and a private company. 100 such villages should be set up in the country by 2017. **The policy framework and financial support are being put in place for Startups which should help India move from number 3 to number 1 as a Startup destination by 2019.**

5.3 **Higher Education**

To promote Startup culture, higher education centres specially technology related higher education centres should create Startup centres. Incubation centres have already been approved in IITs, many central universities and NITs. **State Governments through their technological universities may establish Startup centres** by 2017 which would handhold students interested in developing projects and commercialising them.

5.4 School Education

Skill education is being promoted in schools under the Skill India Mission. Vocational educational is to be imparted from Class 8 onwards. National Skill Qualification Framework (NSQF) has been adopted to promote vocational education. The NSQF allows seamless transition between vocational and general stream and provides for vertical as well as horizontal mobility in different streams. Vocational education could be supplemented by imparting skills to students from class 10 onwards. Credits could be extended to students for entrepreneurship and skill development courses as a part of their Board exams for Class X and Class XII. **These changes should be incorporated by Education Boards in the country by 2017.**

5.5 Intellectual Property Regime

The Government is working on a comprehensive IPR policy. Patent Office is being strengthened to speed up patent application processing in the country and bring it to world class standards. These changes are expected to encourage scientists and researchers to register their patents in India and commercialise them in the country.

Chapter 6: Ease of Doing Business

6.0 A conducive regulatory environment in the country is extremely important for promotion of industry and service enterprises. On this account, India still ranks poorly compared to other similar economies, including BRICS nations. India's rank on Ease of Doing Business (EoDB) brought out by the World Bank[2] was 130 out of 189 countries in 2016. The EoDB ranking improved in 2016 primarily due to improvement in 'starting a business' and 'getting electricity'.

Table 5.1 India's Rank in Doing Business (DB) Report, World Bank

	DB 2016 Rank	DB 2015 Rank	Change in Rank
Starting a Business	155	164	+9
Dealing with Construction Permits	183	184	+1
Getting Electricity	70	99	+29
Registering Property	138	138	No change
Getting Credit	42	36	-6
Protecting Minority Investors	8	8	No change
Paying Taxes	157	156	-1
Trading Across Borders	133	133	No change
Enforcing Contracts	178	178	No change
Resolving Insolvency	136	136	No change
Overall Rank	130	134[3]	+4

6.1 Improvement in regulatory environment and business ecosystem has been a major priority of the Government. A number of reforms have been implemented, both by the Central Government and the State Governments, towards improving regulatory

[2] World Bank's Doing Business Report 2016 "Measuring Regulatory Quality and Efficiency"
[3] Recalculated Rank

environment in the country. India's rank on different parameters indicates that except on protecting minority investors and getting credit and electricity, the ranking on all other seven parameters is lower than the overall rank.

6.2 Role of States

As indicated earlier, State Governments have to play a major role in promoting economic growth and inclusion as the approval and regulatory processes on different parameters which promote industry and services are largely under their domain. DIPP with support from World Bank group and KPMG ranked States on the basis of implementation of business reforms in 2015 on a 98-Point Action Plan across 8 areas. The rankings are based on the implementation status of each State which has been converted to a percentage and is indicated below:

Rank	State	Score	Rank	State	Score
1	Gujarat	71.14%	17	Himachal Pradesh	23.95%
2	Andhra Pradesh	70.12%	18	Kerala	22.87%
3	Jharkhand	63.09%	19	Goa	21.74%
4	Chhattisgarh	62.45%	20	Puducherry	17.72%
5	Madhya Pradesh	62.00%	21	Bihar	16.41%
6	Rajasthan	61.04%	22	Assam	14.84%
7	Odisha	52.12%	23	Uttarakhand	13.36%
8	Maharashtra	49.43%	24	Chandigarh	10.04%
9	Karnataka	48.50%	25	A&N Islands	9.73%
10	Uttar Pradesh	47.37%	26	Tripura	9.29%
11	West Bengal	46.90%	27	Sikkim	7.23%
12	Tamil Nadu	44.58%	28	Mizoram	6.37%
13	Telangana	42.45%	29	Jammu & Kashmir	5.93%
14	Hayana	40.66%	30	Meghalaya	4.38%
15	Delhi	37.35%	31	Nagaland	3.41%
16	Punjab	36.73%	32	Arunachal Pradesh	1.23%

Source: Assessment of State Implementation of Business Reforms, September 2015 published by DIPP

6.2.1 According to the assessment, on average, only 32% of the proposed reforms have so far been implemented across the country and no State implemented 75% or more of the proposed reforms. States where implementation has been the worst include almost all of the North Eastern States where the pace of reforms is yet to pick up. The report also highlights that across the country during January-June 2015, States have made good progress in general tax reforms including e-filing and e-payment of taxes, setting help-lines, defining registration timelines etc. States however, are yet to begin implementing electronic courts to resolve commercial disputes, introduce reforms along a wide range of labour inspections under various acts, or on inspections related to building permits. Online availability of information on land banks, and use of GIS systems to track industrial land parcels are yet to be operationalised.

6.2.2 A broader 340 point Business Reform Action Plan for 2016 has already been shared with the States/UTs for immediate action.

6.3 **Single Window, Single Form (SWSF) online Services**

The e-Biz project[4] is currently live with 20 Central, 14 Andhra Pradesh and 2 Delhi State services besides 3 Joined-up services. Further, in December 2015 the integration activities in respect of 7 additional Central services and 24 State services in 8 pilot States (Delhi, Andhra Pradesh, Haryana, Maharashtra, Tamil Nadu, Punjab, Rajasthan, West Bengal, Odisha and Uttar Pradesh) have been undertaken. The integration of State services is witnessing delays on account of delays from the State Government Departments in granting approvals on process documents. DIPP has recently suggested that services that have been implemented in Andhra Pradesh, Delhi and expected to roll-out soon in Odisha, be rolled out 'as in' with one Composite Application Form (CAF) for all remaining States.

6.3.1 The pilot stage which was supposed to be completed by 3 years is in the 7th year of implementation. The pace of implementation that has picked up recently needs to be

[4]A 24x7 online G2B Portal that serve as one-stop shop for delivery of services to the investors and addresses the needs of business and industry from inception through the entire life-cycle

sustained so that at least **all currently identified and further important services that need to be identified (both Central and State) be integrated for all States.**

6.4 Ease of Property Purchased and Registration Matters

Lack of clarity on property titles and fragmented approach to property registration is a major bottleneck in conducting property transactions. The sub-registrar offices which register property transactions and the revenue administration that ultimately mutates the property in rural areas need a complete overhaul; their operations need to be fully digitised and well-integrated. Similarly, property registration and mutation systems in urban areas are quite opaque and prone to rent-seeking and need to be cleaned up. The record of property rights should be easily available to citizens on demand. Computerisation of land records and modernisation of sub-registrar officers has been an ongoing programme for a long time without any major improvement in the system. **A separate group of experts may be set up in current year to provide a blue-print for complete modernisation of property transaction and registration related matters.**

6.5 Construction Permit and Online Parallel Processes

India's rank is lowest on dealing with construction permits. Multiple agencies with multiple compliance requirements dominate this sector. The State Governments and urban local bodies have a major role in providing construction permissions. The Ministry of Urban Development is in the process of framing model bye-laws which may be adopted by State Governments and urban local bodies. A High-powered Committee under Minister for Urban Development is also examining central government permissions with regard to constructions. These permissions are required from agencies such as railways, civil aviation, environment and forests, defence and a few other organisations. **The construction approval process may be streamlined by 2017 by taking actions on recommendations of the High-powered Committee and adoption of model bye-laws by the State Governments and the urban local bodies.**

6.6 Operationalisation of Commercial Courts

The Commercial Courts, Commercial Divisions and Commercial Appellate Divisions of High Court Act, 2016 has been passed by the Parliament. Delhi High Court has been the pioneer in setting up a Commercial Division. Commercial Courts at district level and Commercial Appellate Divisions in High Courts need to be set up. The Government of India could work with the State Governments closely with regard to setting up of Commercial Courts. In this regard, the **Government may consider funding the setting up of Commercial Courts as a part of the existing Centrally Sponsored Scheme for 'Development of Infrastructure Facilities for the Judiciary'** under which Central Government provides 90% of the project cost in North Eastern States and 75% in the others.

6.7 Enhanced Ease for Doing Business

The Government had introduced Insolvency and Bankruptcy Code Bill in the Lok Sabha in the last winter session. The Bill has been referred by the Lok Sabha to the Joint Parliamentary Committee of both the Houses. The Joint Committee has invited comments of the public on the Bill by 10th February, 2016. Enactment of the Bill would be an important milestone in enhancing ease of doing business.

Chapter 7: Industrial Growth

7.0 The Indian economic development process is characterised by rapid decline of agriculture's share in the GDP with a rising share of services. The shift has broadly been biased towards services sector, skipping to a large extent the industrial, particularly manufacturing sector. Industry accounts for around 30% of GDP. The manufacturing sector currently accounts for around 17-18% of GDP and less than 2% of the global manufacturing. This is quite small as compared to that of the performance of other nations. China's manufacturing accounts for 34% of its GDP, Thailand's 36% and Indonesia and Malaysia around 25% each. Further, the fact that in India the shift towards service sector has occurred even before the process of industrialisation could mature has resulted in sluggish employment growth, with close to half of the workforce still dependent on agriculture and allied activities. Growth of manufacturing is considered absolutely imperative for economic growth, improvement in productivity and for creation of gainful employment opportunities. The National Manufacturing Policy targets share of manufacturing in GDP from current level of 17-18% to 25% by 2022. **For India to become a 10 trillion dollar economy by 2032, the manufacturing has to grow at around 12% constantly over this period.**

7.1 The Government launched Make in India initiative in September, 2014 for making India an important investment destination and a global hub for manufacturing, design and innovation. It focuses on 25 sectors which have been identified based on competitiveness of the sector, its employment potential and the felt need for growth and development of the sector in the country. The program is based on a broad-based list of activities that focus on creating new processes, involving new sectors, building new infrastructure and fostering new mindset to tackle our limitations. The Action Plans that were decided at the National Workshop of 'Make in India' held in December 2014 have been broken into quantifiable and measurable milestones in respect of each activity across thrust sectors, the progress of which is being monitored regularly.

7.2 Global Value Chain

Countries worldwide are increasingly organising their production, trade and investments decisions based on opportunities provided by the global value chains. India too needs to integrate itself into various global value chains. India's comparative advantage lies in labour intensive industries such as textiles, leather, gems and jewellery, etc. These are sectors identified under Make in India initiative for focussed attention.

7.2.1 **Twenty global Textile manufacturers, international companies manufacturing Leather products and global Gems and Jewellery makers may be invited to set up manufacturing facilities** in textile, leather and Jewellery parks that have been set up/being set up. The progress made on EoDB and creation of world class infrastructure would go a long way in attracting global manufacturing firms to India.

7.3 OEMs/ODMs

Make in India initiative, coupled with EoDB in the country is targeted at attracting Original Equipment Manufacturers (OEMs) and Original Design Manufacturers (ODMs) in the country. The FDI policy and industrial licensing regime has been completely overhauled to promote indigenous manufacturing of original equipment. The delicensing of major defence items and permission of FDI in defence sector is also a part of this policy.

7.3.1 Important issue in promoting OEM in the country is setting of standards in major infrastructure sectors such as railways, urban transportation and other sectors to enable aggregation of demand across various projects to make it attractive for an OEM to set up manufacturing facilities in the country. The information technology enabled services industry (ITeS) is another sunrise industry where the demand is likely to be of very high order. **The Mega policy currently under discussion may be finalised so that major portion of the likely demand for ITeS products is met through manufacturing in the country as opposed to meeting of this demand through imports.**

7.4 Mining

Mining in the country needs to be given a major push as it not only provides mineral resources for manufacturing but also generates employment. **The Government may put in place a Mineral Development Policy that accelerates exploration of minerals. The Government may streamline overlap of responsibilities among various regulatory bodies, which govern the mining sector and expedite approval processes.** The focus of the Policy should be to attract investment, both domestic and foreign, in exploration activities.

7.5 Micro, Small and Medium Enterprises (MSME)

MSME sector has an important role as it provides employment to over 80 million persons in the country. It accounts for around 8% of GDP, 40% of total exports and 45% of the manufacturing output. The MSME sector exhibits a duality where some of the MSME industries have very high productivity, while in other MSMEs the productivity levels are very low. For sustained growth of manufacturing at 12%, MSME sector needs to improve its productivity levels. Improvement of regulatory environment in the country in terms of EoDB and better infrastructure would contribute to the productivity growth in the MSME sector. However, the MSME sector also requires large investment which is constrained by the ceilings currently prescribed for the MSMEs. **The MSME limits were last revised in 2006, which may be raised and aligned with international norms.**

Internationally aligned definition of MSMEs (2016)

7.6 Equipment/Component Manufacturing

India has already emerged as a global hub for sourcing of auto components. In the recent past, many aircraft manufacturers such as Boeing and Airbus have also shown interest in setting up component manufacturing plants in India.

7.6.1 The country has set up an ambitious target for nuclear and solar power as part of clean energy initiative. It is necessary to have policies to support setting up of nuclear power plants and solar power plants in the country. The Government has set up a Committee under Secretary, DIPP to suggest measures for promoting manufacture of integrated solar power plants in the country. **The Committee has given a number of recommendations which may be acted upon to attract global solar power plant manufacturers to the country**.

Chapter 8: Services

8.0 India is one of the few countries which seem to have made the transition from agriculture to a service industry based economy with the share of manufacturing in national income remaining almost stagnant. Despite being the major contributor to the India's national income, the service sector's share in total employment continues to be low. The share in gross value added in 2014-15 is estimated to be 52.6% while as per the latest available employment estimates the sector only employed 28.5% of the workforce in 2011-12. Notably however, the recent period has witnessed an increase in employment elasticity for both services and industry to 0.5 and 0.9 in 2009-10 to 2011-12 as compared to 0.1 and 0.3 during 2004-05 to 2009-10 respectively.

8.1 The service sector will continue to remain the dominant sector of the economy even when the growth of manufacturing sector picks up to about 12% per annum and is sustained for the next 15 years. **Some of the prominent growth drivers in service sector are tourism and hospitality (including medical and adventure tourism), information technology enabled service (ITeS), KPOs and BPOs, transport etc.** Service sector is heavily impacted by the regulatory environment and infrastructure bottlenecks in the country. The progress therefore on regulatory reforms for promoting ease of doing business would have a major impact on service sector growth. Service industry is also constrained by the lack of skilled manpower as many segment of the service industry require high skilled labour.

8.2 **Tourism**

Tourism is a major service industry with a very high growth potential. It is also a large employment generator besides being a significant source of foreign exchange for the country. India currently attracts only 1.2% of the global foreign tourist's arrivals. Indian tourism boom of the recent years has been based on domestic tourists. India has the potential to become a preferred tourist destination and the **sector can support a much**

higher employment of around 12% of workforce in 2019, as against 9.4% of the workforce in 2014, if the right policy environment is created.

World Class Infrastructure in 20 Heritage Destinations (2017) and 10 tourist circuits (2018)

Infrastructure status to Tourism by 2016

8.2.1 India is home to many heritage sites. **Twenty heritage destinations and ten tourist circuits may be identified and provided with world class infrastructure to attract high-end tourists.** The **tourism sector may also be granted an infrastructure status** which would increase the availability of finances for this sector.

Launch Incredible India 2.0 by 2016

8.2.2 The Incredible India campaign launched in early years of this millennium had a perceptible impact on the tourist arrivals in the country. Incredible India needs to be re-launched as **Incredible India 2.0,** backed by creation of world class infrastructure at various sites and locations. The country could also attract tourists by sustained publicity of possibilities of adventure sports in the country.

8.2.3 Medical tourism, both for curative care travel as well as for rejuvenation and wellness purposes has increased significantly in the last 10 years. India is projected to be the fastest growing nation in the wellness tourism sector in the next five years for which already certain States/centres in the country have become quite well known. To promote medical tourism, it is necessary to create other necessary infrastructure around hospitals so that the patients and their care-givers have a positive experience of coming to India.

Last mile connectivity to all major heritage sites and destinations by 2017

8.2.4 **For tourism, including medical tourism to flourish facilitation in visa, an interactive web-portal, better last mile connectivity to tourist destination to all major sites and destinations, etc. may be created.**

8.3 The other high end-services such as ITeS, contract research, KPO etc also need to be promoted for growth and employment generation in the country. These sectors require skilled manpower for which improvement in quality of education and skill development is essential. The skill development programmes for high-end service sectors may be formulated by the Sector Development Councils and training initiated as a part of the Skill India Mission.

Chapter 9: Infrastructure

9.0 Physical infrastructure in India suffers from a substantial deficit in terms of capacities as well as efficiencies. Rapid growth of the economy has put further stress on infrastructure. Only if this deficit is overcome and adequate investment takes place, the objective of accelerated growth can be achieved. This is also crucial for improved quality of life, for both urban and rural communities. Further, an efficiently implemented public investment can boost aggregate demand and crowd-in private investments in the short run and add to the productive capacity in the long run[5].

9.1 Financial resources and implementation capacity have been identified as the two big challenges facing public investments in infrastructure. Investments in roads and railways can help maximise benefits since they have large positive spillovers. **The Government may set up teams in Ministries/Departments which deal with infrastructure projects to structure projects, de-risk them and bid them out in the medium term. The projects may be structured for implementation in PPP mode to enlarge the basket of investible funds.**

9.2 Road

India has the second largest road network across the world. The network includes 42.26 lakh km of district and rural roads (95%), 1.46 lakh km of State highways (3%) and 0.97 lakh km of National highways (MoRTH, July 2015). Road network transports more than 60% of all goods in the country and 85% of India's total passenger traffic. Road transportation has gradually increased over the years with the improvement in connectivity between cities, towns and villages in the country. The Government plans to develop a total of 66,117 km of roads under different programmes such as National Highways Development Project (NHDP), Special Accelerated Road Development

[5] World Economic Outlook, International Monetary Fund, October 2014

Programme in North East (SARDP-NE) and Left Wing Extremism (LWE), and has set an objective of building 30 km of road a day from 2016.

9.2.1 The issue of stalled projects in the road sector has been chronic. Projects become unviable owing to the weak financial condition of sponsors, cost and time overruns and low growth in toll revenue. Issues related to right-of-way (land issues) and the inability of sponsors to bring in more equity has led to sluggish pace of implementation. Almost 7,500 km of highway projects awarded on Build-Operate-Transfer (BOT) basis face implementation risk, 80% of these are considered as high risk projects and there has been uncertainty with regard to the projects held up in litigation. Government has recently taken measures to revive these projects and ensure no further slip backs. **Setting up of an independent arbitration mechanism for PPP projects** will ease out the issue. **Government may also de-risk and bid out 100 major road projects within a one year period to ensure that the project pipeline does not dry up.**

Independent arbitration mechanism for PPP Projects by 2017

Structure, de-risk and bid-out 100 major road projects by 2017

9.2.2 The Electronic Toll Collection (ETC) has been launched in several highways across the country with active participation of the banks and service providers. With concerted efforts, the **Government may complete a National ETC by 2018 at all toll plazas**.

9.3 Railways

The Indian Railways is among the world's largest. Spread across 7,146 stations, the 64,600 km network enables the running of 19,000 trains on a daily basis and is recognised as one of the largest railway systems in the world under single management. The country transports nearly 57% of the total goods by road and 36% by rail as compared to 22% and 47% respectively in China and 37% and 48% respectively in the United States. This is despite the fact that a large part of India's freight traffic consists of bulk material and moves over long distances imposing high cost on the economy. The Railway Ministry has taken up a number of initiatives in the recent years and a number of reforms are underway.

9.3.1 Pricing policy in the railways remains unsustainable. The increase in tariff has not been commensurate with the increase in fuel prices and operating costs. Passenger tariff is cross subsidised by the freight segment. This further leads to distortions in resource allocation with investments being made in uneconomic lines. **Establishment of an independent Tariff Commission would provide direction and a framework for assessment and fixation of tariffs.** This may be done in 2016 itself.

Independent Railway Tariff Authority by 2016

9.3.2 Lack of surplus has impacted the capacity to generate resources for investment in the system. It is evident that the internal generation and borrowings have not kept pace with the investment requirement. Thin spreading of the financial resources has delayed completion of viable projects and thus, led to further deterioration of their finances. There is a felt need for private participation for increasing investments. Development of railway stations can be a prime candidate to attract private sector. **100 major stations may be bid out for redevelopment within a year to improve stations and unlock land values, which could be used for further investments in Railways.**

9.3.3 Railway has to regain freight traffic which has currently moved to roads. This would ensure lower cost for the users and to the economy. **Government may create two major logistics hubs to strengthen the freight network in the country**. **Completion of the Western and Eastern Dedicated Freight Corridors (DFC) within the next 2-3 years** will ensure prime place for the railways in freight movement. **Planning of Mumbai-Kolkata and Delhi-Chennai DFCs may be initiated in 2016** to achieve smoother implementation at a later date.

9.4 Ports

Indian ports and shipping industry plays a vital role in sustaining growth in the country's trade and commerce. Around 95% of India's trading by volume and 70% by value is done through maritime transport. Cargo traffic recorded 1,052 million metric tonnes (MMT) in 2015 and is expected to reach 1,758 MMT by 2017. Opening up of FDI in the sector has been an important step in attracting investment into the sector.

9.4.1 The Maritime Agenda 2010–2020, of the Ministry of Shipping has set a target capacity of over 3,130 MMT by 2020. This can be achieved only with active participation from the private sector. **Corporatisation of major ports would be the key to improving port infrastructure and efficiencies.** It would also ensure access to the private capital market and bring in greater accountability, flexibility and autonomy. It would cut down red tape and promote competition.

9.4.2 The DFCs have to be complemented with development of **new ports along the corridor** for the hinterland to harness the benefits of the DFC. Seamless multimodal connectivity between the ports and DFCs will reduce the turnaround time for goods and delays in transportation.

9.4.3 With a futuristic outlook **Government may plan for two Major ports, which have draught of more than 20m each on the East and West coast** to increase the scale of operation and to expand the volumes handled.

9.5 Civil Aviation

Driven by factors such as low-cost carriers (LCCs), modern airports, Foreign Direct Investment (FDI) in domestic airlines, advanced information technology (IT) interventions and growing emphasis on regional connectivity civil aviation industry is poised on a high-growth trajectory. India aims to become the largest aviation industry by 2030 from its current ninth position.

9.5.1 The potential is largely untapped considering that air transport is still expensive for majority of the country's population. **Improving airport infrastructure in the tier –II, tier-III cities and remote areas would expand the market for domestic segments.**

Air connectivity to tier –II, tier-III and remote areas by 2017

9.5.2 Globally, fuel accounts for around 30-35% of an airline's cost. In India, the additional taxes and duties bring up this percentage to around 45-50%. **Rationalising tax**

on aviation turbine fuel (ATF), which is as high as 30% in some places could bring down operating costs of airlines by an average of 10-15%. States like West Bengal, Jharkhand, Chhattisgarh and Madhya Pradesh have cut down VAT and as a result passenger movement in Bagdogra, Raipur, Ranchi has increased with more private players flying to these cities.

9.5.3 Complementary to growth of the aviation industry is the need for better facilities for Maintenance, Repair and Operations (MRO). Tax rationalisation on these services would promote MRO activities especially in the larger centres.

Tax rationalisation to promote MRO activities (2016)

9.6 Power

Reforms in the power sector have long engaged attention of the Government of India and State Government. Unbundling of Generation, Transmission and Distribution and privatisation of discoms has been attempted in the country over the last 15 years. Reduction in AT&C losses has been a major goal of power policy. Significant progress has been achieved in reduction of AT&C losses. Despite this, in 2013-14, the AT&C losses were 22.7% at national level, 38.02% in the Eastern region and 33.94% in North Eastern region. The distribution reforms have to be accorded the highest priority. Effective implementation of the new scheme UDAY rolled out by the Government would be important in this regard.

9.6.2 A number of initiatives are already under way to increase generation and improve transmission and distribution efficiencies. The Government is also committed to move towards cleaner energy with focus on renewable energy including solar, wind and nuclear power.

9.6.3 The cost of energy to Indian industry is considerably higher than in other nations. Industrial tariffs are set to take the burden of cross subsidisation of domestic tariffs. Industries which are highly energy intensive become uncompetitive on account of higher energy costs. Reforms of the energy sector and reduction in energy tariff for industry is necessary for a competitive manufacturing sector.

9.6.4 Reform of the electricity sector would be a significant contributor to growth of economy. The Group has not gone in detail in this area as it is a subject matter in itself. The Group however recommends action on the following points for facilitating solar power and nuclear power generation in the country (components of clean energy):

Action on Smart-Grid (2016)
Mandatory renewable purchase obligation (2016)
Mandatory roof-top solar generation in municipal bye-laws (2016)
Attract two of the top electrical storage battery manufactures (2017)
Large scale civil nuclear energy plants (2019)

9.7 Urban infrastructure

Urbanisation itself is considered a major growth driver. Projections indicate that by 2030 close to 80% of the GDP would come from urban areas. Various Committees have estimated requirement for urban infrastructure. Programmes have also been taken up for rejuvenating India cities, most important being the Jawaharlal Nehru Urban Renewal Mission (JNNURM). In addition, projects for smart cities and development of cities under Atal Mission for Rejuvenation and Urban Transformation (AMRUT) are also contemplated for urban development.

9.7.1 **The Group was of the view that improvement of urban infrastructure under JNURM, smart city projects, AMRUT schemes need to be completed in a faster time frame.** In addition, the Group recommended the following action points which are only indicative of some of the projects that need to be taken up in the area of urban development:

RRTS projects for Delhi-Panipat, Delhi-Alwar, Delhi-Meerut (2019)
Completion of 1st Phase of DMIC & CBIC cities (2019)
High FSI based redeployment & densification along metro corridors with provision for affordable housing (2016)

9.8 **Funding for Infrastructure Projects**:

A number of Committees have estimated requirement of funds for roads, railways and urban infrastructure. These Committees have also highlighted the constraints on domestic funding and suggested a number of approaches to augment funds for infrastructure development. Many of these suggestions have already been acted upon and new institutions created such as, India Infrastructure Finance Company Ltd (IIFCL). National Investment and Infrastructure Fund (NIIF) was also approved by Cabinet in December 2015, which is a significant step towards infusing equity capital in the infrastructure finance companies, which can further be leveraged manifold. The Government has also approved new guidelines for bilateral funding. There are reports that many sovereign wealth funds have also shown interest in investing in infrastructure. **These financial sources may be tapped to bridge the infrastructure deficit in the country.**

Chapter 10: Inclusive Growth

10.0 Inclusive growth is associated with provision of quality education, health facilities, financial inclusion and access to basic minimum services to every segment of the population. It includes opportunities for skill development, capacity building and employment. Economic growth without social inclusion is unsustainable in the long run. The Group was conscious of the fact that Group II on Employment Generation Strategies, Group IV on Education and Health was central to social inclusion. Many recommendations of the others Groups would also have important bearing on Inclusive Growth Agenda. The Group, therefore, restricted its recommendation to a few key activities.

10.1 Education

Elimination of enrolment gap for Scheduled Caste, Scheduled Tribe, girls and minority community to be achieved by 2019

Improved access to schools in tribal areas

Education is an important enabler for capacity building. The Group has highlighted **elimination of enrolment gap for Scheduled Caste, Scheduled Tribe, girls and minority community to be achieved by 2019**. The need to improve access to secondary and higher secondary schools in tribal areas was also highlighted. Right to Education Act 2009 has addressed the issue of access in most part of the country. There are pockets in the country where even today access at elementary education level is a challenge. These places may to be identified and remedial action taken. A major issue that poses a greater challenge and needs to be tackled particularly in elementary education is the question of quality. In the secondary education, on the other hand the issues of access especially for girls and Scheduled Tribes remain significant. Concerted action is required on many fronts, including curriculum revision, teacher recruitment, teacher training, teacher attendance etc.

10.2 Health

The 12th Plan strategy for health was to move towards universal health coverage by riding on public investment and bringing in private sector providers in delivery of health services. The National Rural Health Mission and Urban Health Mission which have now been converged in the National Health Mission seek to address prevention and curative health needs of the population. A detailed comment on health issues was decided to be beyond the scope of Group VI's discussion on equity and inclusion. The Group, however, felt that there is a need to **generate pressure on public health system to deliver quality health services by making citizens aware of the facilities in their vicinity and their rights to get access to these facilities.**

10.3 Funding of Programmes for Weaker Sections

The planning and budget system in the country provides earmarked funding for SC, ST, persons with disabilities and other weaker sections. Special component plan for Scheduled Castes, Tribal Sub Plan for Scheduled Tribes have been in vogue for a long time. Similarly, 3% of the plan funds are earmarked for persons with disability. The expenditure of these funds may be closely monitored and ensured that they are used for economic development and welfare of the target beneficiaries. **The Ministries/Departments dealing with Scheduled Castes, Scheduled Tribes, Persons with Disabilities and Minorities should bring out yearly status papers on plan expenditures earmarked for these sections both at the Central level and State Governments level.**

10.4 Basic Amenities

Provision of basic amenities such as drinking water, sanitation and connectivity are covered under different programmes and schemes of the Government. The habitations inhabited by SC and ST have been targeted for preferential allocation under various programmes. **These habitations may be provided all basic amenities within next two years.**

10.5 **Gender Equality**

The main dimension of social inclusion is the role woman play in social and economic life of the country. India's ranking in Gender Inequality Index brought out by UNDP is 130 out of 155 countries and it ranks 108 out of 145 countries in Gender Gap Index brought out by World Economic Forum. As per McKinsey's report 'The Power of Parity' (2013), advancing women's equality can add USD 12 trillion to global growth of which India alone can contribute to USD 700 billion pushing up the country's GDP by 1.4% points by 2025 over the business as usual scenario. India and Latin America have, in fact been identified as the countries with the highest relative boost to GDP possible.

10.5.1 The Government has already moved on saving girl child and educating her under "Beti Bachao, Beti Padhao Abhiyaan". Reservation for women has also been provided in Panchayati Raj Institutions to promote their participation in political arena. However, there is a need to move on multiple fronts such as provision of health, access to education, skill development, employment opportunities, access to credit, political empowerment to give women their rightful place in the nation's economic and political life and improve gender equality.

Chapter 11: Regional Equity

11.0 The Group has discussed the issue of regional equity in the context of East, North East, Intra-state inequities, the development of districts identified under Backward Region Grant Fund (BRGF), Left Wing Extremism (LWE) affected districts. The Group was conscious of the fact that the BRGF programmes which was under implementation till 2014-15 and integrated action plan for LWE districts under which special funding was provided to district administration have been subsumed under enhanced allocation to the States. A small window for specific allocation to State component to BRGF i.e. for Bihar, Odisha and West Bengal has been created under ₹20,000 crore budget allocated to NITI Aayog in 2015-16.

11.1 The Group discussed development of East and North East. The eastern India also includes most of the BRGF and LWE affected districts.

11.2 The challenges that face North East and East are of different nature. However, there are many policies and action points that apply to both East and the North East. **As indicated earlier in the chapter 6, States in both these regions need to improve their regulatory environment to promote ease of doing business**. Tourism development including eco-tourism, medical tourism and adventure sports would be relevant for both the regions. Development of small scale industries and MSME clusters would get a boost if regulatory environment becomes more industry friendly.

11.3 Eastern region would benefit from the Dedicated Freight Corridor (DFC) currently under implementation from Amritsar to Kolkata. The National Highway projects, on completion, would also improve connectivity in this area.

11.4 Eastern India has been projected as the next centre of green revolution in the country. Specific programmes have been initiated to improve agricultural productivity especially paddy, in the region. The area however, has low irrigation levels. Even in the states such as Bihar where 56.5% of the net sown area is shown to be as irrigated, there are issues regarding quality of irrigation. **The Group has recommended a special programme for irrigation based on solar pumps in East and North East**. This will boost production of paddy in the region. There is no procurement of paddy for the central pool from the Eastern and North Eastern States at present. Only decentralised procurement takes place in some States. **If this area has to become the next centre for Green Revolution, irrigation, extension and procurement systems will have to be put in place.**

10% of paddy procurement to come from East India (2018)

11.5 For the North East the Group felt that improvement in connectivity was an important component for kick-starting growth process in the region. The road project being planned through ADB and JICA funding, accelerated construction of Kaladan project and its associated road network in Myanmar and North Eastern States should be completed on priority basis. Brahmaputra and Barak rivers have already been declared as National-waterways. To realise the full potential of **these waterways, inland ports and jetties need to be constructed. These could be completed by 2019.**

11.6 **North East region could be developed as a centre for organic farming, fruits and flowers.** Improved connectivity would give a major boost to horticulture and floriculture in the North East. Similarly, given the abundance of water bodies, pisciculture could also be encouraged in the North East. Programmes for all these activities already exist. These programmes and schemes need to be monitored and implementation gaps removed in the next 2 years. The Group also stressed the importance of controlling shifting cultivation in the upper ridges in the North Eastern States and supporting such farmers with extension activities for taking up high value crops.

Chapter 12: People's Participation

12.0 The planning process has clearly articulated the importance of an informed society in economic and social development of the country. Various policies, programmes and schemes of the Government provide for involvement of civil society organisations, community based organisations (CBO) and non-governmental organisations (NGOs). The Panchayati Raj institutions and urban local bodies, the third-tier of governance, have been provided Constitutional status by 73rd and 74th Constitutional Amendment Acts. These Acts also provide for specific reservations for SCs/STs and women in local self-governance.

12.1 The Group discussed the involvement of civil society, CBOs, NGOs in effective governance and delivery of public services. It also took feedbacks from a few Panchayati Raj institutions and urban local body members through a Video Conference.

12.2 The Group strongly felt that in all Government schemes **social audit should be made a mandatory requirement on the pattern of MGNREGA**. Separate funds for conducting social audits and creating capacities at different levels to undertake social audits could also be funded under the Schemes.

Social Audit a mandatory requirement in Government Schemes by 2016

12.3 The gram panchayats and urban local bodies may also be supported through an **performance based incentive grant** on the following key parameters:

In natural resource conservation
Waste disposal and recycling
Maintenance of roads, & other public infrastructure
Full enrolment of children in primary and secondary education etc

Leverage 14th Finance Commission Grant to promote people's participation

12.4 The 14th Finance Commission has recommended a grant of ₹2,00,292 crore for Gram Panchayats and ₹87,144 crore to urban local bodies during the 14th Finance Commission award period (1st April 2015 to 31st March 2020). The Group was of the view that **State Governments may be persuaded to formulate guidelines for utilisation of 14th Finance Commission Grants towards incentivising performance and encouraging people's participation**.

Strong awareness campaigns

12.5 The ultimate success of any initiative depends on how aware and involved people are in management of the programme/scheme. Availability of real time accurate information on demand is almost a pre-condition of an aware citizenry. The Group was of the view that Digital India platform should be fully utilised to create awareness on programmes, policies and schemes of Government at all levels including more specifically information relevant to local communities.

Chapter 13: Summary of Recommendations

Action Plan for 2016
Committee under VC, NITI Aayog to frame model land lease laws
Action plan on recommendations of 'Standing Council on International Competitiveness of the Indian Financial Sector'
₹500 crore dedicated fund to support installation of solar pumps in East and North East
Support at higher rate for drip & sprinkler irrigation in critical and over-exploited blocks
SMS-based alerts on all DBTs
Startup ecosystem – Fund of funds, Credit Guarantee Fund, tax exemptions and addressing tax and FEMA issues
Separate group of experts to provide a blue-print for complete modernisation of property transaction and registration related matters
Fund setting up of Commercial Courts as a part of the existing Centrally Sponsored Scheme for 'Development of Infrastructure Facilities for the Judiciary'
Customs' Reforms
Attract Top global OEMs/ ODMs & component ICTE manufacturers
Approve "Mega" policy; streamline transfer pricing
Internationally aligned definition of MSMEs
Clarity in exploration incentives
Action on recommendations of Committee under Secretary, DIPP suggesting measures for promoting manufacture of integrated solar power plants
Grant of infrastructure status to tourism
Launch Incredible India 2.0
Independent Railway Tariff Authority
Tax rationalisation to promote MRO activities
VAT on ATF to be at 4%
Action on Smart-Grid

Mandatory renewable purchase obligation
Mandatory roof-top solar generation in municipal bye-laws
High FSI based redeployment & densification along metro corridors with provision for affordable housing
Special drives for awareness of rights and provision of services
Effective utilisation and monitoring of budget provision for SC/STs and other weaker sections including PWD
Social Audit a mandatory requirement in Government Schemes
Incentivise gram panchayats/ ULBs based on performance
Leverage 14th Finance Commission Grant to promote people's participation
Strong awareness campaigns for all programmes and schemes

Action Plan for 2017
Integrate agricultural extension services
e-Enabled National Market for all principal regulated markets
Procurement networks in NFSM districts for pulses and oilseeds
All GoI Benefits delivery on JAM
e-Payment Mobile Apps for all Government programs
'Real Time Operating Center' to track major Govt. programmes using live dashboards
500 new incubators and 100 Startup villages
Startup Centres in higher educational institutions
Entrepreneurship and skill development in 10/12th standard
Actions on recommendations of the High-powered Committee on central government permissions with regard to constructions
Adoption of model bye-laws (being framed by Ministry of Urban Development) by the State Governments and the urban local bodies
Invite 20 global Textile manufacturers, international companies manufacturing Leather products and global Gems and Jewellery makers to set up manufacturing facilities in textile, leather and Jewellery parks

World class Infrastructure in 20 Heritage destinations
Last mile connectivity to all major heritage sites and destinations
Structure, de-risk and bid-out 100 major road projects
Independent arbitration mechanism for PPP Projects
Bid out 100 stations for redevelopment
Plan Mumbai-Kolkata and Delhi-Chennai DFCs
Two major logistics hubs
Corporatise Major Ports
Air connectivity to tier-II, tier-III and remote areas
Attract two of the top electrical storage battery manufactures
Electrification, water supply for hamlets inhabited by the weaker sections
North East a hub of organic farming, fruits, flowers & blue revolution

Action Plan 2018
Universal digitised Soil Health Cards
All habitations to be connected by all-weather roads
All villages on NOFN
All GoI Subsidy payments through JAM
Public Financial management System (PFMS) / Expenditure Information Network (EIN) to track Govt. spending
All currently identified and further important services that need to be identified (both Central and State) be integrated at eBiz
World class infrastructure in 10 tourist circuits
National ETC at all toll plazas
Complete Western DFC
Improve access for secondary and higher secondary schools especially in tribal areas
10% of paddy procurement to come from East India
Develop clusters of MSMEs in East and North East
Universal life insurance coverage
Bank account linked social security for all

Action Plan 2019
Equipment leasing companies at block level
All States' benefits/subsidies on JAM
1000 Venture Capital Funds to be operational
Complete Eastern DFC
New ports linked to Eastern DFC
Two Major ports (> 20m draught) on East/West coast
Large scale civil nuclear energy plants
RRTS projects for Delhi-Panipat, Delhi-Alwar, Delhi-Meerut
Completion of 1st Phase of DMIC & CBIC cities
Elimination of enrolment gap for SC, ST, girls and minority community
Shift 3.5 lakh ha still under shifting cultivation to high value crops
Telecommunication link via Bangladesh, Regional airport hub, Kaladan Project
Inland waterways in Brahmaputra & Barak
North eastern State Roads Investment programme (ADB, JICA funding)

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Annexure I

List of Members in Group IV

DIPP – Rapporteur	Amitabh Kant	IAS (KL:80)
Expenditure	Ratan P. Watal	IAS (AP:78)
CEO – NITI Aayog	Amitabh Kant	IAS (KL:80)
Sec. (M&ER), MEA	Sujata Mehta	IFS
Overseas Indian Affairs	Anil K. Agarwal	IAS (WB:81)
National Authority, CWD	Aradhna Johri	IAS (UP:80)
Pharmaceuticals	V. K. Subburaj	IAS (TN:80)
Corporate Affairs	Tapan Ray	IAS (GJ:82)
Steel	Aruna Sundarajan	IAS (KL:82)
Posts	K. Banerjee	IPoS (78)
Telecommunications	Rakesh Garg	IAS (UP:80)
Disinvestment	Neeraj Gupta	IAS (UP:82)

Annexure 2

Group of Joint Secretaries (1)

D/o. EPWD	Mukesh Jain (IPS) - Rapporteur	IPS(MP:89)
DFS	Pankaj Jain	IAS (AM:90)
Food & PD	Abhishek Singh	IAS (NL:95)
MSME	B.H. Anil Kumar	IAS (KN:87)
WCD	Rajesh Kumar	IAS (MN:88)
DIPP	Ravneet Kaur	IAS (PB:88)
MHA	Vumlunmang Vualnam	IAS (MN:92)
I&B	Mihir Kumar Singh	IAS (BH:93)
Tribal Affairs	Manoj Kumar Pingua	IAS (CG:94)
I&B	R. Jaya	IAS (TN:95)
NITI Aayog	Raja SekharVundru	IAS (HY:90)
MHA	Veena Kumari Meena	IAS (UP:93)
Minority Affairs	Dinesh Bist	IPS (BH:87)
DARPG	Smita Kumar	IPos (XX:87)
MEA	Puneet Agrawal	JS (UNES)

Group of Joint Secretaries (2)

Civil Aviation	Balwinder Singh Bhullar -Rapporteur	IAS (UP:87)
DEA	Raj Kumar	IAS (GJ:87)
MoSPI	Arun Kumar Yadav	IAS (SK:87)
Commerce	Anita Praveen	IAS (TN:89)
DoNER	Vijay Bhushan Pathak	IAS (SK:90)
MHA	Rajit Punhani	IAS (BH:91)
Telecom	Shashi Ranjan Kumar	IAS (TR:92)
Commerce	Santosh Kumar Sarangi	IAS (OR:94)
Fertilizers	Arabinda Kr. Padhee	IAS (OR:96)
Expenditure	Peeyush Kumar	IAS (AP:97)
DOPT	Archana Varma	IAS (AM:95)
DoNER	Arvind Madhav Singh	IFS (AM:86)
MHA	Soma Roy Burman	ICAS (XX:86)
Food Pro. Ind.	Anuradha Prasad	IDAS (XX:86)
MEA	Ajit Gupte	JS(DPA-1)

Annexure 3

Feedback of State Governments

I. Maharashtra

1. Whether adequate guidelines for participative and effective use of funds being given under 14th Finance Commission for Panchayat Raj Institutions are in place?

Yes, adequate guidelines and funds (as CSS, without need for State support) has been given by Ministry of Panchayat Raj, and we are on the job

2. Challenge of rainfed agriculture:

In Maharashtra, present area of land under irrigation is about 18%. With great thrust being given to irrigation (both major and minor) it is likely to increase by 5-7% in near future. But still 75% land will be under rain fed conditions even after 2020. The farmers under rain fed conditions are becoming more and more vulnerable, due to erratic monsoons.

For this we need to devise methods and technologies and practices that with even 75% of normal rain (with allowance for long gaps between monsoon spells during season) the average crop yields could be still 80% of normal. This is technically possible, considering still we receive 400 MM to 1000 mm rain in these areas. Some mission mode to conserve moisture in dry land farms during the critical season June to August needs to be started, with awareness campaign. GoI role will be to give it a push and thrust.

Some bank funding packages to help farmers to take small loans (repayable) to do moisture conservation on their land will also have to be worked out as now bank loans are only for crop loan.

3. Public Transportation:

The public transportation in small cities and towns is woefully poor. There is no need for big buses, even small matodors, 10 seaters etc. can be part of public transportation, but a policy needs to be in place. This will improve mobility. Great success story is Tamil Nadu, which has excellent public transportation in all towns.

Gujarat

Industry & Services

- The ship-breaking sector provides substantial employment and business in India. Pakistan and Bangladesh are our main competitors. Alang in Gujarat is a major ship-breaking yard. On representation from the ship-breaking industry of Alang, the Government of India reduced the Custom Duty on ships imported for breaking to 2.5%. However, both Pakistan and Bangladesh have NIL customs duty on this. Hence, for the Indian ship-breaking industry to stay competitive, it is necessary that the customs duty on this item be reduced to NIL.
- Commodity sector is in economic turmoil nowadays. Steel and copper industry has represented for protection against dumping of Chinese products into the country. So also the ceramic industry. These industries provide employment to lakhs of persons and are a major part of the economy of many states. Suitable and timely action should be taken to protect and rejuvenate such sectors suffering due to global factors, and especially due to imports of Chinese products at unrealistically low prices.
- Bridging the skill gap is essential for providing suitable employment to the masses and also required manpower to industry and services. A holistic coordination between industry, universities and government (both central and states) should be effected for improving the employability of the job-seekers and value addition.

Technology and Innovation

- Innovation and R&D is the key to the continued economic growth of any nation over the long term. Countries that spend more on R&D are more prosperous than those that spend less. Singapore and India both spent about 0.9% of their GDP on R&D in the early 1980s. However, Singapore spends almost 4% today, whereas India's spend is stagnant at less than 1%. The difference in the level of development of the two countries is there to see. In order to achieve a higher and sustained growth in the years to come, India must increase its spend on Science & Technology, R&D and Innovation from the existing level of about 0.9% of GDP to at least 2% by 2030.

Infrastructure for Accelerating Growth

- Aviation infrastructure is key to economic development. Many existing airports may not be commercially viable today, but play an important role in the industry and trade of the surrounding region. Likewise, many airports are not used at all because they are found unviable. It is necessary to cover hitherto uncovered areas through such aviation infrastructure that already exists. It is especially important, as GoI plans to develop Tier II and Tier III cities in the country. For example, Government of India has recently decided to stop commercial operations at Bhavnagar, Porbandar and Diu airports, which were functioning till now. Keshod airport in Gujarat is not functional. All such aviation infrastructure should be optimally utilised, even if it means that GoI would have to bear some portion of the losses by operating them. This would be an important factor in the economic growth of smaller towns and the surrounding regions.

– Regional Rail System should be developed around large cities, in order to decongest them and boost the existing rail network. It would help very substantially in decongesting the cities. It would also give a fillip to the local economy by facilitating transportation of day-to-day products, such as fruits and vegetables, milk etc.
– In Rurban areas, there are over 170 sewage treatment plants in Gujarat, which need financing. The guidelines of the 14th Finance Commission should include funding for sewage treatment. This would give a fillip to the 'Swachha Bharat Mission'.
– Labour reforms are a key to industrial development of our country. Unfortunately, our laws are archaic and not in sync with international trends and expectation of investors. There have been occasions when GoI has wanted to amend labour laws, but could not do so due to opposition from the trade unions and for other reasons.
– GoI should circulate model labour that the state governments could consider proposing state-specific amendments.

Social Equity

– GoI is rightly insisting that Direct Benefit Transfer should be linked with Aadhar. However, this technology-driven innovative program has got embroiled in lot of litigation and there is uncertainty about its use. GoI should pro-actively resolve the legal uncertainty surrounding this ambitious program.
– Public Transport facilities are shrinking in the states. This adversely affects higher secondary and higher education in rural areas. The centre and states should work in a coordinated manner to improve the quality and quantity of public transport network in cities and rural areas.
– While promoting Tourism for inclusive growth, we must lay stress on: creation of employment opportunities; skill development in related sectors and activities; and providing backward and forward linkages to rural artisans, so that they get proper remuneration through sales outlets.

Energy

– Flexibility in usage of coal allocated to Government power generating companies. Govt generating companies having long term power purchase agreement (PPA) with power distribution licensees (discom) should be allowed flexibility in usage of allocated coal.

For this purpose, allocation should be to the state generation company as a whole and not power station wise. This will enable the generation company to utilise the allocated coal in the most cost efficient manner and result in reduction of cost of generation.

- In addition to above, allocated coal should also be allowed to be used for power generation in any power plant owned by other generator provided that the landed cost of power at consumption point of discom with whom long term PPA is signed is lower than that generated by own power plant and that the electricity so generated is entirely supplied to the said discom. (eg; if the said coal can be used for power generation in power plant which has higher efficiency and /or which is near the coal mine, the cost of power could be lower as transmission of electricity is cheaper than transportation of coal. Such arrangement would, of course, be subject to availability of idle generation capacity near coal mine and availability of power transmission system).
- Swapping of imported coal with domestic coal done between NTPC and GSECL should be expanded to cover more generating stations/ companies as there is scope for savings of thousands of crores of rupees, thereby reducing cost of power generation. The Ministry of Coal may agressively facilitate this.
- Coal companies should maintain quality control to stop supply of lower grade coal but charging higher grade prices. Therefore, third party sampling of coal quality should be introduced at both the loading and receiving end. This quality control will help reduce cost of power generation.
- Rationalisation of coal pricing is required as coal companies charge disproportionately higher prices for higher grade coal (disproportionate to the calorific value). Such rationalisation will help reduce cost of generation, particularly when there is grade slippage which is quite common.
- Rationalisation of railway freight for transportation of coal over long distance should be done by the Indian Railways on the same line as passenger fares to help reduce cost of transportation and reduce cost of power generation for power stations located far away from coal mines.

Rural Development

- A well structured initiative of **'National Rural Immersion Fellowships'** may be instituted with provision of academic credits for students of various disciplines to actually work for a semester in a village across India and earn credits for this in lieu of structured work related to sanitation, housing, livelihoods, women Self Help Group formation and support and watersheds. This will help young people to learn and significantly contribute towards nation building.
- The status of development in every village can be captured using a simple **grading system** and presented to the Gram Panchayat. This **Panchayat Metric Grid** would be a comprehensive measure of the development status of the Panchayat. This could be done

in a participatory way and the **report card** could be shared with the villagers for them to aspire to take their village to greater heights.

– A structured two-month long **volunteering opportunity** may be provided to all those willing and able to do so through a well designed program. This could be on the lines of and similar to the American 'Peace Corps' or the French 'Doctors without Borders'. We could call such people **'Parivrajak'** This could fold in the involvement of professionals, corporates, academics, NRIs and people from any walk of life who wants to contribute in a tangible manner to village development. The activities that they can participate could be from a slew of choices such as Education support, medical & Hygiene education, water conservation, sanitation, livelihoods facilitation and all such activities at the last mile in the wards of the village.

Tamil Nadu

FDI

– Opening some segments of insurance sector like health insurance and removing the 10 year disinvestment clause.
– Liberalising foreign investment in rural banking with the help of mobile technology.
– Liberalising FDI in animation sector.
– Relaxing the minimum area norm in construction sector.
– Raising foreign investment cap for uplinking news and current affairs TV channel from 26% to 49%.
– Making available FDI policy in the website in a user friendly way.

Disinvestment

– Initiating disinvestment in at least 9 PSUs (out of 27), namely, SCI, EIL, RITES, EPIL, ITPO, STC, MMTC, NBCC and NFDC.

Tariff & Tax related

– Addressing the issue of multiple levies & duties in telecom.
– Rationalising taxes in shipping sector.
– Resolving the definitional issues under tonnage tax for shipping.
– Allowing advance tax instead of tax deduction at source (TDS) in some services like engineering and construction.
– Introducing electronic system of tax payment for tourist vehicles.
– Rationalising the entry fees for monuments and privatisation of these services.
– Addressing the tax credit issue in the case of films.
– Addressing the issue of Royalty/Turnover tax by Airport authorities on service centres.

- Addressing the inverted duty issue in printing sector.
- Allowing advance tax instead of TDS in Engineering & Construction sector.
- Procedural changes for infrastructure projects.
- Abolishing octroi at least for capital goods used in hospitals including super speciality hospitals exporting healthcare services and in health-related research centres.
- Resolving the differences in the case of taxability of items like SIM Cards, recharge coupons, IT software, etc.
- Making TDS uniform for all heads of income with exemptions for small income upto a certain threshold limit.
- Expediting the measure s related to transfer pricing.
- Single return for service tax & excise tax which are being administered by thesame Department.
- Reduction of TDS for professional and technical services.Credit and Finance related issues
- Exempting interest paid to ECBs from withholding tax for financing export relatedactivities and overseas acquisition including of ships.
- Encouraging venture capital in services.
- Operationalising offshore financial centres.

Other policies – General

- Increasing visibility of India in services through trade fairs, buyers-sellers meets and setting up convention centres.
- Facilitating services exports by setting up joint offices with common facilities and devoting some SEZs exclusively for services.
- Standardisation of services.
- Institutional mechanism for services by a nodal department/division for services
- Competition policy for services and regulatory body for services other than banking, insurance, telecom and ports.

Apart from infrastructure like roads, railways, etc. a significant portion of the Service Tax accrued should be set apart for 3 critical areas viz., Education, Health care and Skill Development. It is possible to give high quality vocational training combined with in factory experience by subsidising the cost of training in many service industries especially Health Care and Tourism.

Rural Development

- Adequate allocation of funds for roads under PMGSY has to be ensured by Government of India. At present, for the first time, Government of India is unable to give funds for the already sanctioned schemes of Rural Roads under PMGSY.
- National Optical Fibre Network (NOFN): BSNL had given internet connectivity for nearly 10,000 village Panchayats in Tamil Nadu originally, but the internet connectivity for about 5,000 Village Panchayats was withdrawn because of technical reasons. This is to be restored.
- Technology & Innovation: SMS based delivery to be implemented for MGNREGS and OAP: Under Technology and Innovation, no tie up is made by NIC and Ministry of Rural Development with mobile service operators and banks, in order to ensure that the beneficiaries get an SMS intimation from the Government, whenever the money of MGNREGS and OAP is credited to their bank accounts. This should be implemented to ensure transparency in key government schemes.
- Social Equity: Need to urgently broad-base the National Rural Livelihood Mission (NRLM) across all areas of the country: In order to ensure Social and Gender Equity, and elimination of poverty amongst the downtrodden and vulnerable, it is extremely important for a broadbased NRLM / NRLP to be implemented in all the Blocks of the Country.
- 14th Finance Commission Incentives based on implementation of Swacch Bharat Mission (Gramin) and MGNREGS: Additional weightage of incentive should be given for such Panchayats which have performed better in implementation of Swacch Bharat Mission (Gramin) and MGNREGS.

Karnataka

- For infrastructure projects land acquisition has become a huge problem. Central Govt does not support States in funding land acquisition. Central Government supportshould also be provided for land acquisition as well.
- The investment in infrastructure would require larger borrowings by the state Governments. The States borrowing limit is capped at 3% as per FRBM Act. This needs to be relaxed to 3.5% at least for next 5 years to fund infrastructure projects for which there are no private sector proposals.
- There is huge scope for leveraging technology to improve agriculture
- The model village Panchayat had achieved 100% sanitation, provided water purification plants, solar lighting, solid waste management facilities and underground drainage. They also support small cottage industries besides earmarking 25% budget for SCs. These initiatives could be replicated in other villages.

Uttar Pradesh

- Commercialisation of lab research activities should be given a thrust
- Certification and recognition of specialised skills such as carpentry, tailoring, cooking etc
- e-Governance in urban sector
- Provision of better roads especially for industrial centres in land-locked states to boost exports

Annexure 4

Suggestions received on Presentation by Group VI given in the Prime Minister's Meeting held on 22.01.2016

1. Macro/Policy Issues

- Macro-economic stability
- High savings & Investments
- A policy framework for unlocking unused public sector land
- Removing the regulatory overburden
- Provision of untied funds in schemes
- Prioritise sectors which have major impact on growth and equity and fund them
- Clear Property Rights

2. Ease of Doing Business

- Judicial Reforms/ Police Reforms for conducive law and order
- Customs' Reforms
- Tax reforms
- Capital market and debt market reforms

3. Agriculture

- Rural, non-farm sector, reform of land leasing laws to improve access to agricultural land by landless
- Food processing

4. Manufacturing

- Promoting smart manufacturing

5. North East

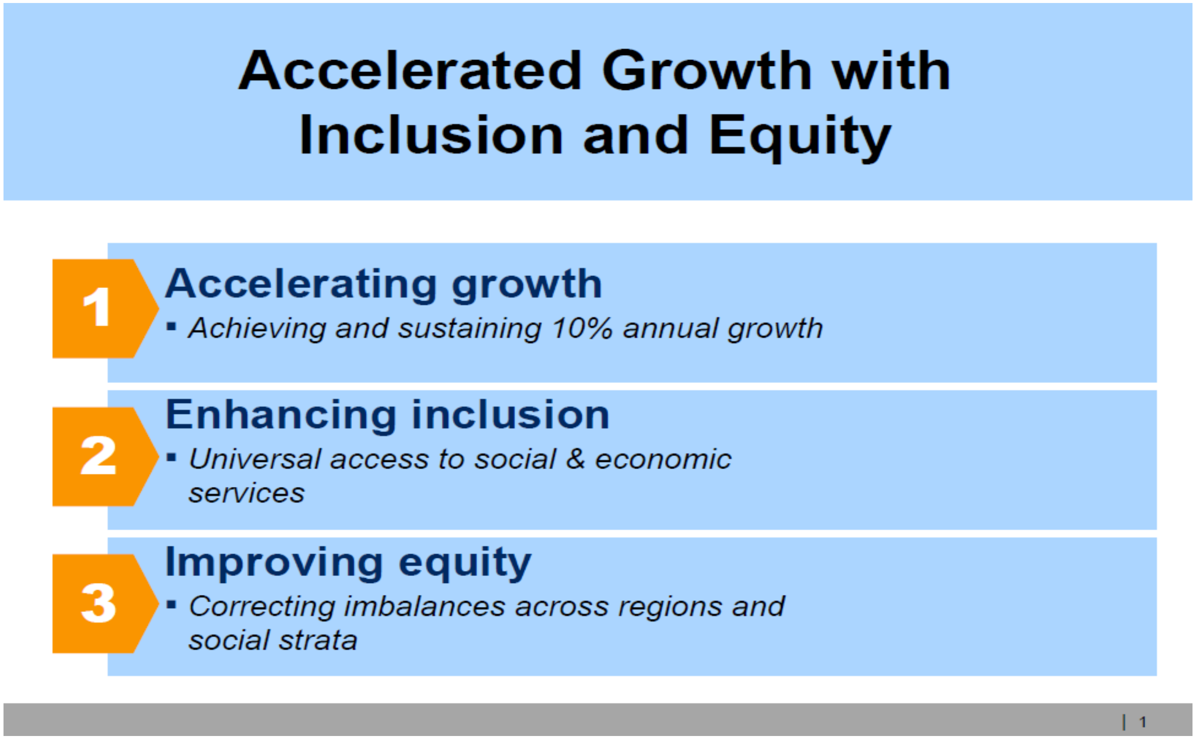
- Promotion of organic farming
- Transport policy subsidy to be tweaked for local manufacturing

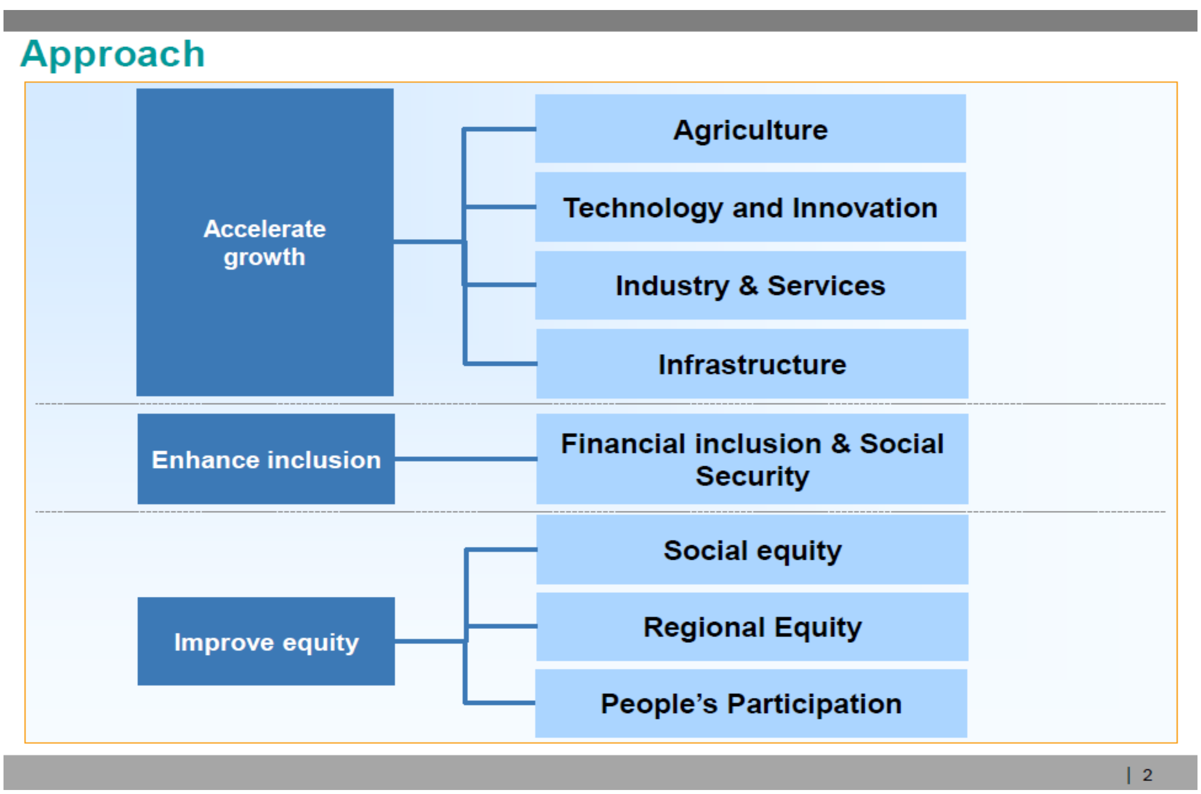
6. Environmental protections

7. Participatory planning &Social audit

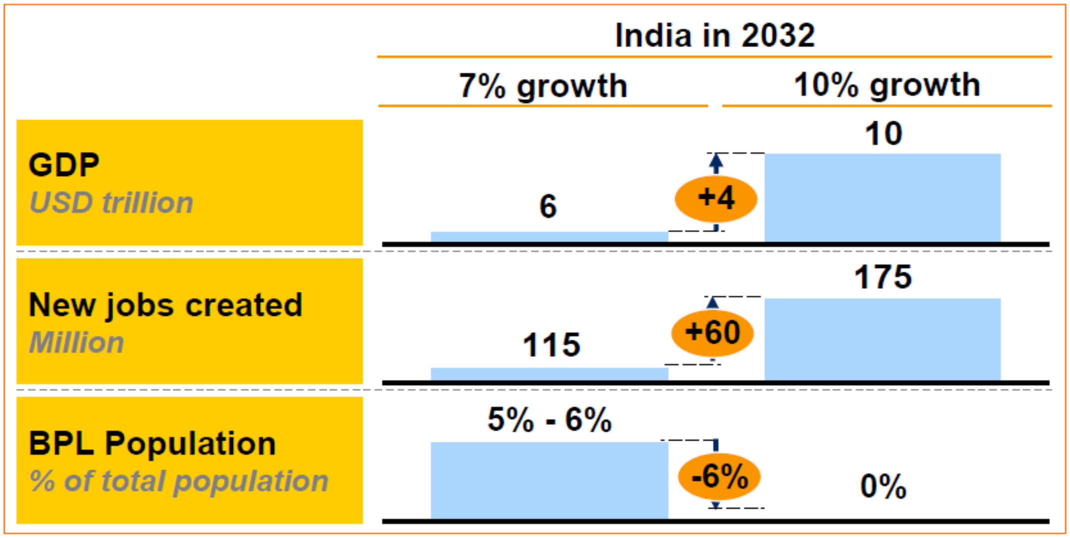
Annexure 5

Final Presentation



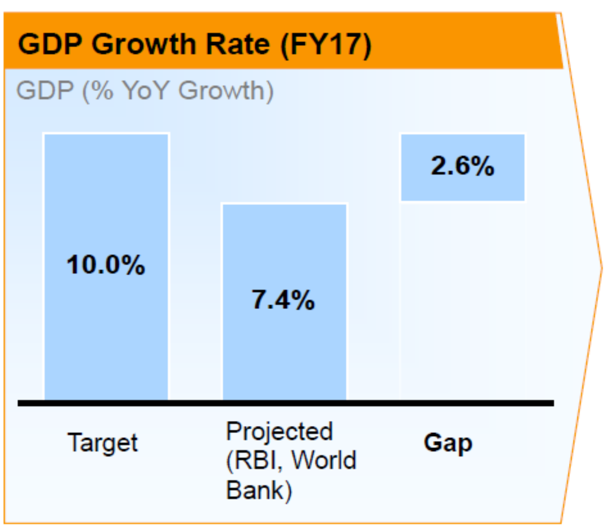


India Growth Scenario



Growing at 10% will transform India – India will be a $10 trillion economy with no poverty in 2032

Accelerating growth to 10% has four focus areas



Focus areas for accelerated growth

Additional GDP growth of 2.6% YoY in the next 5 years to be achieved through

- **Agricultural growth** at 4%
- **Manufacturing and Services** at 10-12%
- World-class **infrastructure**
- Advancements in **technology & innovation**

Conditions Precedent for Growth

10 Champion States to grow at 12%+

Factor Market Reforms

- Clear Property Rights
- Land pooling/Leasing/Procurement/ A policy framework for unlocking unused Public Sector Land
- Labour laws
- Quality improvement in skill education

Financial Sector Reforms

- Capital Market Reforms
- Banking Sector Reforms

Judicial Reforms/ Police Reforms for conducive law and order

Focus on size, scale and speed of infrastructure creation

- Set up teams to structure and de-risk key infrastructure projects

Stable macro-economic fundamentals

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Agriculture

Weather Proofing

- Investment in irrigation through solar pumps, sprinkler, drip, recycled water, command area development ***(2017)***
- Integrate extension services ***(2017)***

Technological interventions

- Universal digitised Soil health cards and advice on soil health solutions ***(2018)***
- Farm mechanisation - equipment leasing companies at block level ***(2019)***

4% Agricultural growth

Policy Reforms

- Flexible Land laws
- e-Enabled National Market for Agriculture Produce ***(2017)***
- Procurement of pulses and oilseeds in NFSM Districts ***(2017)***
- FDI in Cold Chains /Processed Food ***(2017)***

Rural Infrastructure

- Complete 2.25 lakh km roads ***(2018)***
- All villages on NOFN ***(2018)***
- Shyama Prasad Mukherji Rurban Mission

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Technology and Innovation – *Leveraging Digital India*

JAM Platform

- GoI Benefits delivery ***(2017)***
- GoI Subsidy payments ***(2018)***
- States' benefits/subsidies ***(2019)***

Mobile revolution

- e-Payment Mobile Apps for all Government programs ***(2017)***
- SMS-based alerts on all DBTs ***(2016)***

60% digital penetration by 2019

Effective public service delivery

- '*Real Time Operating Center*' to track major Govt. programmes using live dashboards ***(2017)***
- Public Financial management System (PFMS) / Expenditure Information Network (EIN) to track Govt. spending ***(2018)***

Digital Nagarik

	RoW	Enforce Rights of Way for Telecom ***(2016)***
Infrastructure	*BharatNet*	Cover Urban; Catalyse Demand ***(2018)***
Infrastructure	*No Call Drop*	Fibre to Every Telecom Tower ***(2018)***
Infrastructure	*Make in India*	Affordable SmartPhones / Tablets ***(2018)***
Infrastructure	*WiFi in Every Village*	Harness disruptive tech
	Internet Haath Me	Leased devices / internet at every GP ***(2018)***
Converged e-Platforms	*Make In India*	Data localisation on Mass e-Platforms ***(2017)***
Converged e-Platforms	*Start Up India*	Incentive packages for social innovation ***(2016)***
Internet Adhikaar	*Digital Nagarik*	Free Bundled Services: e-Kisan, e- Vidyaarthee, e-Mahila …

Technology and Innovation – *Startups*

Smart Manufacturing

- A policy framework for incentivising innovations and new product development ***(2016)***
- Smart manufacturing

Startups

- 500 incubators, 100 Startup Villages across India ***(2017)***
- Policy framework for retention of Startups in India ***(2016)***
- 1000 Venture Capital Funds to be operational ***(2019)***

India to move from No. 3 to No. 1 Startup Destination (2019)

Higher Education

- Startup Centres in higher educational institutions ***(2017)***

School Education

- Entrepreneurship and skill development in 10/12th std ***(2017)***

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Industry & Services: *Ease of Doing Business*

Single Window, Single Form (SWSF) online Services

- Central Govt. citizen services ***(2017)***
- State Govt. citizen services ***(2018)***

Ease of all Property Purchase/Registration related matters

Construction permits (Online/ parallel processing of applications) *(2017)*

Operationalise commercial courts

Enhance ease for companies to operate/exit

- Operationalise National Company Law Tribunal ***(2017)***
- Roll out new bankruptcy law ***(2017)***
- Simplified procedures – synchronised single inspections ***(2017)***

Customs' Reforms *(2016)*

By 2019, India's rank in EoDB to be in Top 30

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Industry & Services: *Industry*

Global Value Chain

- 20 textiles manufacturing plants linked to global manufacturing chains ***(2017)***
- Leather Parks ***(2017)***
- Gems and Jewellery Parks ***(2017)***

OEMs/ODMs Manufacturing

- Attract Top global OEMs/ ODMs & component ICTE manufacturers
- Approve "Mega" policy; streamline transfer pricing ***(2016)***

Manufacturing contribution 25% of GDP by 2022

MSME

- Redefine MSME and align with international standards ***(2016)***

Mining

- Clarity in exploration incentives to attract global explorers for deep mining ***(2016)***

Equipment /Component Manufacturing

- Global hub for sourcing auto components ***(2018)***
- Nuclear and Solar power equipment manufacturing plants ***(2017)***

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Industry & Services: *Services*

Service Industry would continue to be the major contributor to GDP

Sunrise service sectors – ITES, Medical tourism, Contractual R&D, KPO/BPO

Tourism for inclusive growth

- World class Infrastructure in 20 Heritage destinations ***(2017)* & 10 tourist circuits *(2018)***
- Grant of infrastructure status to tourism ***(2016)***
- Rationalisation of taxes ***(2016)***
- Launch Incredible India 2.0 ***(2016)***
- Provide last mile connectivity to all major heritage sites and destinations ***(2017)***

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Infrastructure *for Accelerating Growth*

Roads

- De-risk and bid out 100 major road projects *(2017)*
- National Electronic Toll Collection *(2018)*
- Independent Arbitration Mechanism for PPP projects *(2017)*

Railways

- Western DFC *(2018) &* Eastern DFC *(2019)*
- Plan Mumbai-Kolkata and Delhi-Chennai DFCs *(2017)*
- Bid out 100 stations for redevelopment *(2017)*
- Independent Railway Tariff Commission *(2016)*
- Two major logistics hubs *(2017)*

Ports

- Corporatise Major Ports *(2017)*
- New ports linked to Eastern DFC *(2019)*
- Two Major ports (> 20m draught) on East/West coast *(2019)*

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Infrastructure *for Accelerating Growth*

Civil Aviation

- Air connectivity to tier –II, tier-III and remote areas *(2017)*
- Tax rationalisation to promote MRO activities *(2016)*
- VAT on ATF to be at 4% *(2016)*

Power

- Action on Smart-Grid *(2016)*
- Mandatory renewable purchase obligation *(2016)*
- Mandatory roof-top solar generation in municipal bye-laws *(2016)*
- Attract two of the top electrical storage battery manufactures *(2017)*
- Large scale civil nuclear energy plants *(2019)*

Urban Infrastructure

- RRTS projects for Delhi-Panipat, Delhi-Alwar, Delhi-Meerut *(2019)*
- Completion of 1st Phase of DMIC & CBIC cities *(2019)*
- High FSI based redeployment & densification along metro corridors with provision for affordable housing *(2016)*

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Financial Inclusion & Social Security

Access to bank accounts	• Bank accounts (including PMJDY) for 97% of citizens *(2017)* • Financial services at all Gram Panchayats through PoS *(2019)*
Technology usage in financial inclusion	• Use Aadhar for all KYC requirements *(2017)* • Enable mobile payments for all cash transfer schemes *(2017)*
Insurance coverage, social security	• Universal life insurance coverage *(2018)* • Bank account linked social security for all *(2018)*

Reducing transactions cost from ₹1,500 to ₹10 by 2019 will ensure access to 100 million more Indians

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Social Equity

Education	• Eliminate enrollment gaps for SC/ ST/ girls/minority communities *(2019)* • Improve access for secondary and higher secondary schools specially in tribal areas
Health	• Special drives for awareness of rights and provision of services
Financial	• Effective utilisation and monitoring of budget provision for SC/STs and other weaker sections including PWD
Amenities	• Electrification, water supply for hamlets inhabited by the weaker sections

Gender Equity

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Regional Equity – East & North East India

	East India	North-East India
Agriculture	• 10% of paddy procurement to come from East India *(2018)*	• Organic farming, fruits, flowers & blue revolution *(2017)* • Shift 3.5 lakh ha still under shifting cultivation to high value crops *(2019)*
Industry & Services	• Major focus on Ease of Doing Business *(2016)* • Sustainable tourism via PPP in eco-tourism, medical tourism & adventure sports *(2019)* • Develop clusters of MSMEs *(2018)*	
Infrastructure	• Dedicated Freight Corridors, National Highway Projects	• Telecommunication link via Bangladesh, Regional airport hub, Kaladan Project *(2019)* • Inland waterways in Brahmaputra & Barak *(2019)* • North eastern State Roads Investment programme (ADB, JICA funding)

People's Participation

Mandating social audits of govt. schemes – Incentivise participation ***(2016)***

Incentivise gram panchayats/ ULBs based on performance ***(2016)***

- In natural resource conservation,
- waste disposal and recycling,
- maintenance of roads, & other public infrastructure,
- full enrolment of children in primary and secondary education etc

Leverage 14th Finance Commission grant of ₹2,00,292 cr (avg ₹16 lakh/GP/ year) for Gram Panchayats & ₹87,144 cr (avg ₹4.31 cr / ULB / year) for Municipalities to promote people's participation

Strong awareness campaigns on peoples participation in governance

Digital India to become the backbone to harness people's participation

Annexure 6

Action Points Indicated by the Group and suggestions of the Group of Joint but not included in presentation

Agriculture and Non-farm Sector

– Focus on export-oriented high yielding crops
– Quality control in agriculture on international standards
– Value chain studies for gap identification
– Rural Shopping Malls for providing quality garments, groceries and FMCG products
– Shift of agriculture labour to industry and services

Ease of Doing Business

– Negative list of approvals
– Stable regulatory framework to foster a conducive investment climate: Expedite reforms, GST and other policy implementations to mitigate investor uncertainty
– Barrier-free movement of goods: Smart Check-ins - IT enabled systems
– Monetisation of unused land for growth and modernization of Departments like Railways, FCI etc; Expedite setting up of Land Authority of India
– Professional bodies such as ICAI, ICSI, ICAI (Cost) to develop guidelines to operationalise Multi-disciplinary Partnerships (MDPs) framework and offer full services to start-ups

Physical Infrastructure

– Golden Quadrilateral and East-West/ North-South Corridors to be six/eight lanes
– Up-grade major railway tracks with emphasis on increasing train speed by at least 50%
– State government and private players to develop abandoned airstrips as no-frill airports (450 abandoned airstrips)
– Use of waste based material such as fly ash, plastic waste, construction debris
– Green highway policy
– Unbundling of Railways in to 3 entities: i) track & platform related issues; ii) rolling stock; iii) passenger related issues
– Policy framework for to resolve issues of existing PPAs, metering /billing and collection etc (Discom reforms).

Digital India

– Creation of multilingual content for penetration into regional markets
– Low-cost mobile devices to be developed for increasing Internet penetration

- Post Offices – CBS to be rolled out; Community Service Centers (CSC) to be operationalised; Payment Banks

Innovative use of Degraded and barren Forest land

- Degraded forests to be given to private sector and community groups after GPS based recordings for planting species with commercial value; Planned felling after 5/10/20 years with revenue sharing mechanism; use of local labor and mandatory to plough back money for local development

Education and Health

- Leverage PPPs to build new schools
- Massive Online Open Courses to improve the reach and quality of education
- Set up multipurpose facilities that can operate as not-for-profit schools during the day and as for-profit vocational education and training centers in the evenings
- Initiate plans to create low cost health infrastructure on Arvind Eye/ Narayana and Vaatsalya model on PPP basis

Equity

- Develop integrated Index to capture Equity Growth with Equity Index(GEI) based on UN SDGs 2030 and India's NDCs
- Sectors conducive to female employment in Make in India such as ready-made garment manufacturing, electronics assembly, BPO, health-care and wellness services and tourism
- Labour Law Reforms could focus on addressing barriers to women's employment
- Tax Incentives to promote women employment
- Training of North Eastern women in ready-made garment manufacturing, electronics assembly , BPO, health-care, wellness services and tourism
- Strengthen/augment funds to the Development Finance Cooperation for vulnerable groups

North East and East

- Telemedicine facility with prominent hospitals
- Fully functional immigration check post at all Land Custom Stations and Integrated Check posts in North East
- Promote concept of home stays/bread and breakfast schemes
- Expertise of NDDB, AMUL can be extended in North East region and development of piggery products